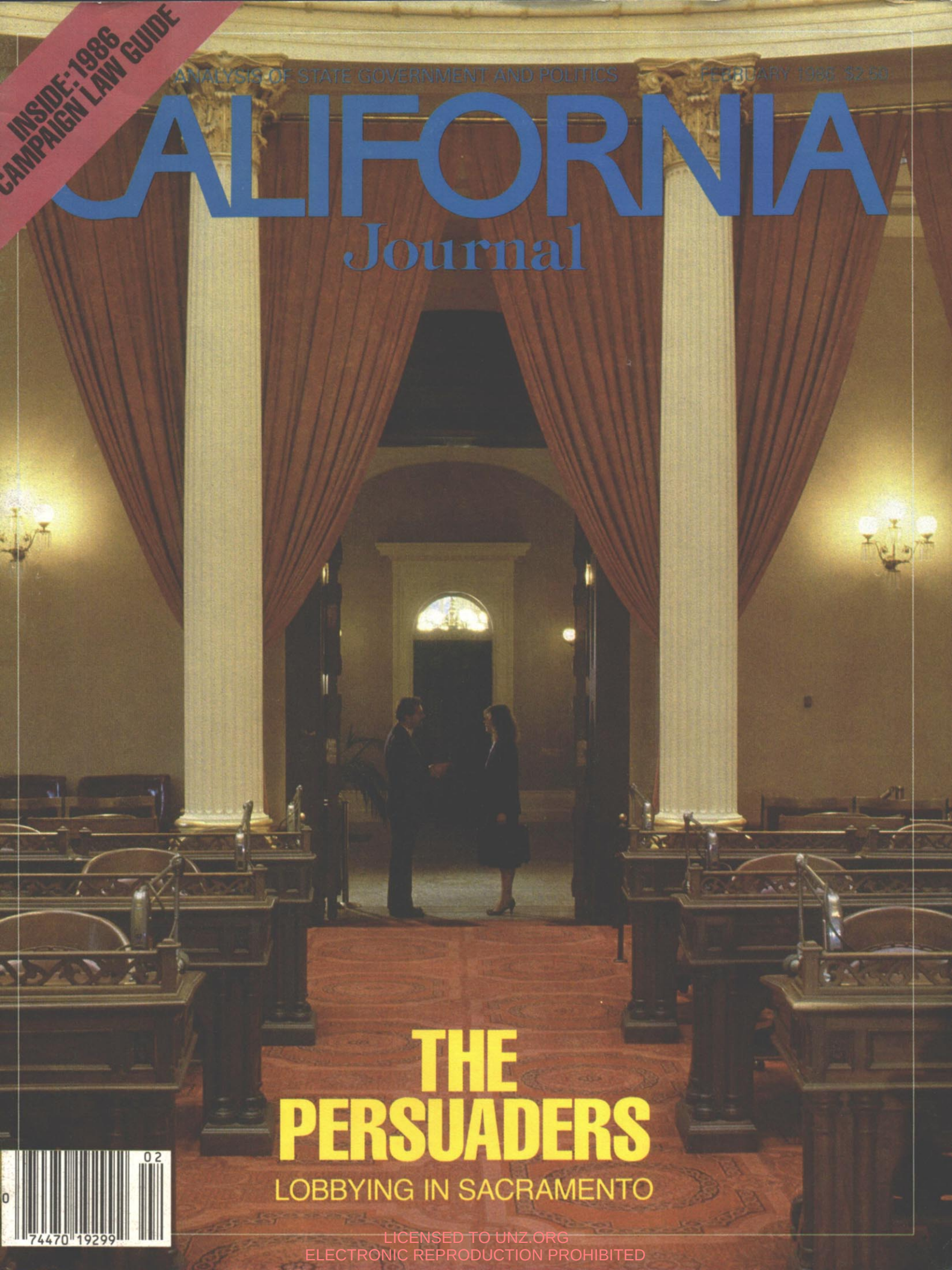
INSIDE: 1986 CAMPAIGN LAW GUIDE

ANALYSIS OF STATE GOVERNMENT AND POLITICS FEBRUARY 1986 $2.50

CALIFORNIA Journal



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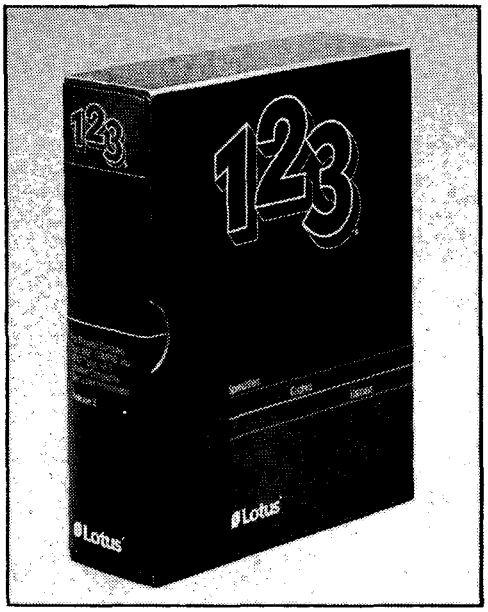

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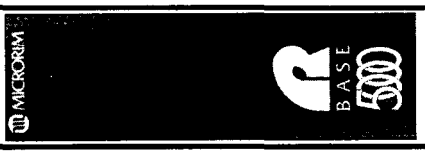
MICRORIM™ Your way. That's Rway.		**R:Base 5000:** The new database standard for professional programmers; sorts 362% faster than the leading competitor.	$700	**$399.00**
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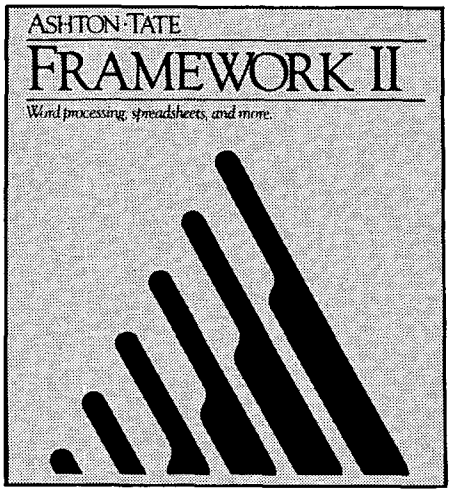

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Framework II's advanced word processor now includes visible page-breaks, built-in mailmerge capability, and one of the most sophisticated spell checkers available, with an 80,000 word capacity.

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Framework II also supports the Lotus/Intel enhanced-memory standard, making its spreadsheet both larger and faster—almost twice as fast as **Framework.** Its macro library allows you to automate commonly-used sequences of functions, and store the macros. Users can also go beyond standard RAM limits imposed by current PC architecture, by accessing additional workspace from either a hard disk, or an add-on memory board. Another unique feature is its ability to produce files in WordStar® and MultiMate® formats whenever you wish.

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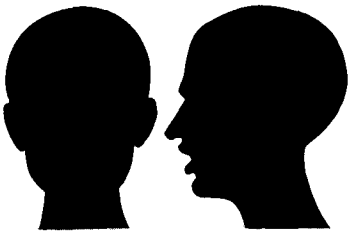

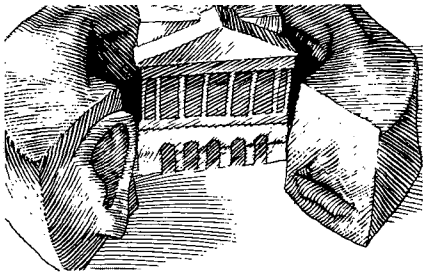

Special Section:
The 1986 Campaign Law Guide

Included in this issue is the fifth edition of California Journal's *guide to state and federal campaign laws. Completely updated to include recent court cases and changes in campaign law, this guide offers practical information of value to candidates, elected officials, contributors and campaign workers. This election-year booklet is also available as a reprint.*

Lobbying in Sacramento *by Richard Zeiger* **71**

The amount of money spent to lobby all levels of California government has increased dramatically over the past several years, as has the intensity of lobbying activity. California Journal *devotes nearly this entire issue to the players who make it happen and the rules that do — and don't — govern their activities.*

Who are the best? *by A. G. Block* **73**

The Journal *queried more than 1100 lobbyists, legislators and legislative staff to find out who are Sacramento's most effective — and most overrated — lobbyists.*

For fun and profit *by Ellen Chapman and Richard Zeiger* **74**

Contract lobbyists sell their services, and some of them have been doing very well, thank you.

A montage of lobbyists **77**

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State and local governments spend more than $11 million to lobby — government.

The underground *by Joanne R. Creager* **103**

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San Diego's mayor finally resigned from office. But his troubles may be a reflection on reforms brought about by another former mayor — Pete Wilson.

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Cover photo by Rich Pedroncelli

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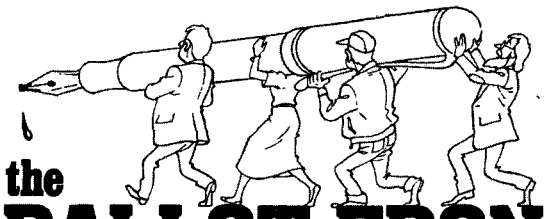

the BALLOT FRONT

A roundup of statewide initiative proposals. All statutes require 393,835 valid signatures; constitutional amendments require 630,136. In parentheses is the deadline for sponsors to submit signatures to county clerks, and the issue of California Journal *that contains a full explanation of each measure. (Regardless of the constitutional deadline, sponsors must submit signatures by April 18th for an initiative to be placed on the November 1986 ballot.)*

New in circulation:

OFFICIAL STATE LANGUAGE — an initiative constitutional amendment, sponsored by Stanley Diamond, Carol Strayer and former U.S. Senator S. I. Hayakawa of San Francisco, that would declare English the official language of California and require the state Legislature to enforce the provision with legislation. (June 26th)

FIREARMS — an initiative constitutional amendment, sponsored by Carl Murphy, Bernadine Smith and Richard Deming of Hanford, that would prohibit the Legislature and public officials from confiscating or banning private ownership of firearms or ammunition. The measure would not apply to felons or persons declared mentally incompetent. (June 26th)

AIDS — an initiative statute, sponsored by Khushro Ghandi and Bruce Lutz of Los Angeles, that designates Acquired Immune Deficiency Syndrome (AIDS) as "an infectious, contagious and communicable disease" and that both AIDS carriers and sufferers are subject to quarantine and isolation statutes and regulations. It also requires the state Department of Health to protect the public health from AIDS. (May 22nd)

CRIMINAL PROCEEDINGS — an initiative constitutional amendment, sponsored by Sterling Norris of Northridge, that transfers from attorneys to judges the questioning of prospective jurors. It also provides that a grand jury indictment is sufficient to compel a trial without a preliminary hearing and that, except in death penalty cases, a verdict could be rendered by 10 jurors rather than a unanimous vote of 12. (May 19th)

PESTICIDE DISCLOSURE — an initiative statute, sponsored by Robert Boesch of San Francisco, that declares food to be adulterated if radiation treatments or pesticides applied to it or used on raw agricultural commodities are not disclosed to consumers. It also makes it illegal to pack, ship or sell produce without complete disclosure of all pesticides used on it and increases criminal penalties for selling adulterated food. (May 19th)

DEATH PENALTY — an initiative statute, sponsored by GOP Assemblyman Ross Johnson of Fullerton, that defines when a death-penalty case has been received by the state Supreme Court and is ready for decision. If the case remains undecided for 90 days after certain events specified in the measure, the state controller would be required to withhold the judge's salary. The state Supreme Court would also be required to give priority to appeals from death-penalty judgements. (May 19th)

TAXATION: LOCAL GOVERNMENTS AND DISTRICTS — an initiative statute, sponsored by Howard Jarvis of Los Angeles, that would require a two-thirds vote of a local government or district legislative body, plus a majority vote of the voters, before special taxes can be imposed by the local government or district. It also requires a majority vote to continue taxes imposed after August 1, 1985. (May 15th)

TAXATION — an initiative constitutional amendment, also sponsored by Jarvis, that requires a two-thirds vote of each house of the state Legislature to increase taxes imposed by the state. (May 15th)

Continuing in circulation:

ABORTION — an initiative constitutional amendment, sponsored by Susan Sassone of Fountain Valley. (February 21st, December 1985)

COMPENSATION OF PUBLIC OFFICIALS, EMPLOYERS, INDIVIDUAL PUBLIC CONTRACTORS — an initiative constitutional amendment, sponsored by Paul Gann of Carmichael. (April 14th, January 1986)

MALPRACTICE — an initiative constitutional amendment, sponsored by Dr. Russell S. Kussman of Los Angeles. (May 1st; January 1986)

Qualified for the ballot:

TORT DAMAGES — If approved by voters during the June 1986 primary election, this initiative statute will reduce the "deep pockets" liability of state and local governments in injury cases by limiting non-economic awards (pain and suffering, as opposed to loss of wages or medical expenses) to each defendant's proportion of fault. Sponsored by Gene Livingston of Sacramento.

Failed to qualify:

PUBLIC FUNDED ABORTIONS — an initiative constitutional amendment, sponsored by Renate Penny and Muriel Brown from the Institute for Child Care Studies of Sacramento, that would have prohibited the use of public funds for medically-induced abortions except to "prevent the pregnant mother's imminent death." It would also have required the Legislature to appropriate funds equal to the average cost to the state for all abortions during the preceding three years and use this money to provide health care for unborn, premature, disabled and handicapped children. (Last month, based on the best information possible at press time, we reported that sponsors of this initiative had submitted petitions for verification.)

Source: Secretary of State March Fong Eu

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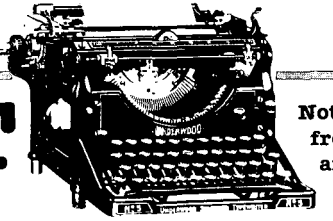
UP FRONT



Notes and Items from Contributors and the Journal Staff.

It's a good thing Speaker Brown, after more than a year's search, finally found a new press secretary to replace Bobbie Metzger, who left his employ early last year to make her fortune in the public-relations biz. Susan Jetton, a political writer for *The San Diego Union*, was picked for the job, and one of her first tasks is to improve Brown's rocky relationship with the Capitol press corps. The speaker angered reporters by telling Assembly Democrats not to talk to David Willman of the *San Jose Mercury News* who had incurred the speaker's wrath with investigations of his law practice and the business dealings of others in the Assembly leadership. The edict lasted only a day or so but earned the speaker a hot protest from Tom Woods, president of the Capitol Correspondents Association. The situation eased when Brown made a point of answering a Willman question at a press conference. The press corps usually likes Brown. He's funny, there's a touch of the exotic about him and he seems all the more entertaining when contrasted with the gray men in the Deukmejian administration.

Bring me metaphors to match my mountains. It's not surprising in this election year that Governor Deukmejian, long known for his ability to turn a memorable phrase, should insist in his State of the State address that things in California had gone "from IOU to A-OK." It might not have been too bad had he stopped there, but the governor's analogy machine stuck in overdrive as he claimed "our hopes are as high as our redwoods. Our future is as bright as the sunshine . . . our determination is as strong as the tides." Give us a break as long as our rivers.

Ah, the New Year, and with it, legislator's thoughts (or, is that a self-canceling phrase?) apparently turn to agendas. Just about every legislative leader had one, and each, alas, felt obliged to share it with the public. Senate President pro Tempore David Roberti led off for the Democrats on the session's opening day with an "Agenda of Opportunity." He was followed the next day by Assembly Minority Leader Pat Nolan who also had an "Agenda of Opportunity." (Nolan's office insists he was the first opportunist because he'd been one in 1985. Roberti's office says his use of the phrase was just coincidence.) Speaker Willie Brown came next and managed a little television time with his own address to the Legislature, only it had to be postponed one day because Ronald Reagan decided to hold a press conference. Batting clean up was Governor George Deukmejian who followed with his annual State of the State address.

The New Year also give the speaker and the governor a chance to put on a couple of swell receptions in the Capitol. Brown's was open to the hoi polloi and featured salmon, paté, roast beef sandwiches, cheese and a strange breaded substance. The shrimp were eaten first. The red wine, a cabernet, had custom labels emblazoned with the speaker's name and the Assembly seal. The governor's reception, in the Capitol rotunda, was by invitation only. Reporters were kept in a roped-off area with press aid Donna Lipper assigned to keep them happy. His food included small pizzas, nachos with guacamole and another mystery dish, this time wrapped in a pasta shell. ("I don't know what it is, something gross," said Lipper.) His wine was also custom bottled. It said "Wine Institute" on the label.

This time of year the world is awash in fancy calendars, many of them virtual travelogues adorned with color photos of everything from Swiss chalets to Himalayan peaks. Now comes the California Correctional Peace Officers Association with a year-end offering, included free in the December issue of *Peacekeeper*. Like its commercial cousins, this calendar also contains full-color aerial photos of choice California real estate. The October selection, for example, is Folsom State Prison in tones of brown and gray. San Quentin, with its lovely view of San Francisco Bay, graces May.

Foot on the neck of American history department: Joy Picus, a city councilwoman representing Los Angeles' third district, notes that one of her constituents disagreed with a recent council decision to declare Los Angeles a sanctuary for political refugees. In expressing dissatisfaction with the council's action, the constituent told Picus: "The Statue of Liberty says 'give me your poor and hungry.' It doesn't say anything about foreigners."

After three years as governor, George Deukmejian would like to think people in California know who he is. But he still may have a little work to do, at least among the state's television camera crews. As Deukmejian walked down the center aisle of the crowded Assembly chambers to deliver his State of the State address — surrounded by an escort committee of a half-dozen legislators — the camera crews all started to zoom in. All but one. "Which one's the governor?" asked the cameraman for Sacramento's Channel 31.

(Richard Paddock, Sacramento)

Senate Republicans were anything but grumpy when one of their own, Milton Marks of San Francisco, became a Democrat on January 6th. First, the liberal Marks had been less than a reliable GOP vote. Second, his defection set off a chain reaction inside the Democratic caucus after its leader, Senate President pro Tempore David Roberti, named Marks caucus chairman. That irked at least one liberal and a host of conservative Democratic senators. The liberal, former Majority Leader John Garamendi of Walnut Grove, attempted to oust Roberti as pro tem (but managed only one vote — his own). The conservatives, led by Robert Presley of Riverside, posed a more serious problem by forming a "working group" of seven senators to present what Presley called a "unified voice" on certain bills. Anyway you stamp it, Presley's caucus-within-a-caucus represents another mini-revolt against Roberti, which more than compensated Republicans for the loss of Marks.

No, we weren't playing musical jobs with reporter John Schwada, who last month wrote about Richard Alatorre's switch from the California Assembly to the Los Angeles City Council. In the writer's credit we identified Schwada as a reporter for the *Los Angeles Times*. Silly us. Schwada is City Hall bureau chief for the *Los Angeles Herald Examiner*.

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— Benjamin Disraeli

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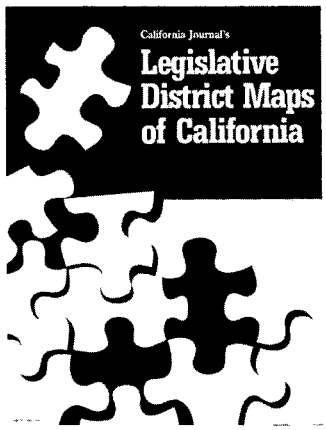

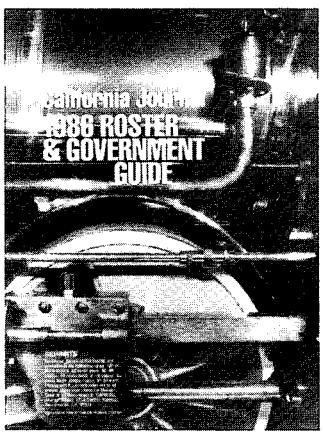

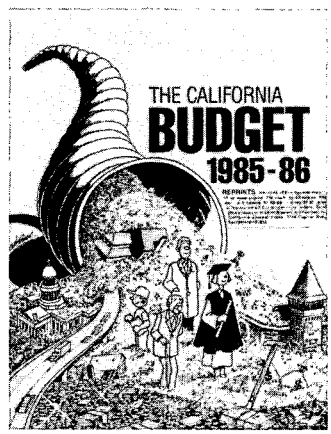

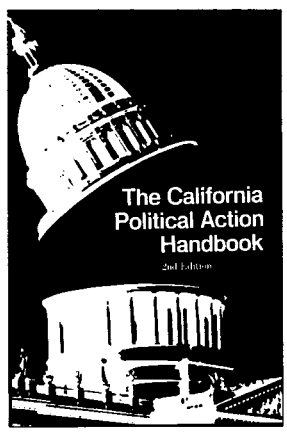

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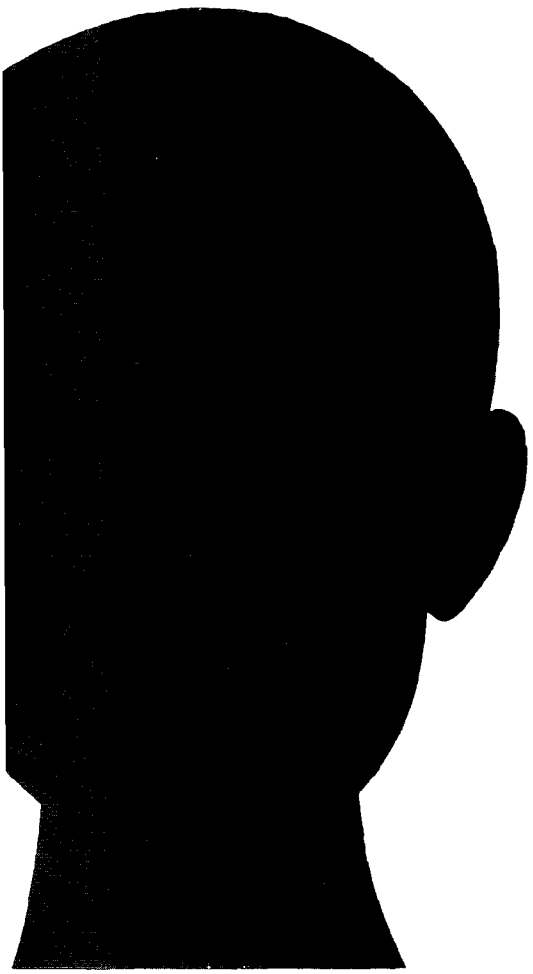

THE PERSUADERS

LOBBYING — AN ART FORM FLOURISHING IN SACRAMENTO

By RICHARD ZEIGER

Lobbying has been an accepted part of the legislative process for years, its practicioners known as the "third house" of the Legislature. But in recent years, due mainly to the ever-increasing cost of political campaigns, the role of the lobbyist has changed. They have always influenced the legislative process, but with the escalating costs of campaigns, they've become the major conduit for money that politicians need to be reelected. This issue of *California Journal* examines aspects of the lobbying industry, including its most successful firms, a handful of prominent lobbyists and the expansion of lobbying's underground and the way government lobbies itself.

If lobbying is the art of persuasion, it just may be the healthiest art form in Sacramento. The number of groups and firms employing paid persuaders has nearly tripled in the past 10 years so that nearly 1700 organizations now have some form of representation in Sacramento. The amount spent on lobbying has increased even faster, probably exceeding $70 million for 1985. In 1975 only $20 million per year was spent on lobbyists.

In part this reflects the growth of state government itself; the California state budget has almost tripled during that same period. But it also reflects an increased recognition that decisions made by the state — in the Legislature and in a myriad of state agencies — have substantial impacts on a growing number of businesses and professions. Even other government agencies now find the need for a Sacramento advocate to protect their share of the state's largess. This aspect of lobbying's growth doesn't alarm most observers. Indeed, it can be seen as a healthy participation in the governmental process.

Warping the system

However, the growth of the lobbying industry has also coincided with another phenomenon — the rapidly escalating cost of election campaigns. And the connection between the two, in the view of many, has become so pervasive that it is beginning to warp the system with an unholy alliance between private interests, who view lobbying expenses and campaign contributions as business investments, and legislators, who see in lobbyists and special interests a ready source of the campaign cash needed for reelection.

In recent years the trend has produced the "bag bill" — a measure introduced and perhaps pursued solely to leverage campaign contributions out of special interests. Proposals that often start out with a noble purpose end up, conveniently, as a kind of Brinks truck filled with campaign cash.

The most notable current example is a proposal to change the state's "uni-

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LOBBYING TOTALS: 1975-1986

YEAR	# LOBBYISTS	# EMPLOYERS	TOTAL $ SPENT
1975-76	630	795	40,018,666
1977-78	582	760	19,640,650
1979-80	613	857	59,023,150
1981-82	638	1041	58,345,176
1983-84	753	1338	112,519,158
1985-86	838	1695	(est.) 144,252,000

tary" method of taxing foreign corporations that operate in California. Many corporations, both foreign and domestic, found they had something to gain or lose from this proposal and thus unleashed an army of lobbyists armed with the promise of campaign riches. Indeed, the proposal has proved so lucrative for lawmakers' campaign accounts — not to mention the bank accounts of the Capitol lobbying corps — the suspicion is widespread that the matter is unsettled because no one wants to give up an easy source of money.

A part of the process

Even those who deny that contributions matter — most notably Assembly Speaker Willie Brown, who has been accused by some of allowing the bag bill to flourish — concede they are expected from those who can afford them. In a recent *California Journal* interview, Brown maintained that the vast amount of money given by special interests "cancel each other out," adding that he could not remember a single instance when contributions made the difference in the outcome of a bill. But Brown noted that his Assembly members "have to get reelected. They've got to get the dough from someplace." The logical source is those who want to play the legislative game.

The change has affected not only legislators, but the business community as well. Businesses have accepted that campaign contributions are just another part of the process. According to one lobbyist, there used to be a time when at least some businesses resisted contributing "under the gun." That has almost disappeared. Furthermore, the amount of money involved is going up.

"Once, if you contributed $20,000, spread among a number of legislators over two years, that was a lot. Now, it's $70,000 or $80,000 per year for one person," the lobbyist added.

Walter Zelman, lobbyist for the consumer group Common Cause, believes the mining of campaign contributions from lobbyists "has tainted the process" and that the problem lies with the system and not with so-called corrupt individuals.

But campaign contributions are becoming a relatively blunt instrument; just about everyone expects them and, at least for the Legislature's biggest fund raisers, they no longer leave a lasting impression. As a result, lobbyists have begun developing more sophisticated ways of reaching legislators.

Lobbyists, of course, are more than conduits for campaign contributions (although for some, the ability to influence how, when and where a client contributes creates an enormous amount of leverage with legislators). Lobbyists also devise strategies for moving bills through the legislative process, work with clients and/or employers to influence bills through grass-roots efforts in lawmakers' districts, manage professional associations and public-relations campaigns for clients and develop a diverse set of contacts in all branches of state government.

In the past few years, businesses have also begun hiring platoons of lobbyists to push for a measure. Although one individual or firm may be in charge, it is not uncommon to subcontract out some of the lobbying work to specialists who might have good contact with one crucial legislator. This has created new opportunities for former legislators or staff members to enter the lobbying profession where they can take advantage of the personal friendships — all to the benefit of their new employers.

Also emerging in recent years is the combination firm employing both lawyers, lobbyists and even public-relations specialists. These firms offer a "complete service" to their clients. The changes needed in the law can be researched, lawmakers contacted and a publicity campaign mounted if necessary.

The combination of an increasingly professional lobbying corps, backed by the money to fuel election campaigns, is proving to be almost overwhelming. At times it threatens to unbalance the governmental system. Although legislative staff is large enough to provide an objective look at pending legislation, there is little in the way of political balance.

Zelman notes that his type of public interest lobbyist can have some impact, even without campaign contributions. "But we can't compete in sheer numbers. In some fields there are 30 or 40 private-interest lobbyists for every public-interest lobbyist," he said.

This imbalance, in recent years, has resulted in the Legislature regularly appearing to be at the beck-and-call of special interests. Indeed, the only time you see a good old-fashioned fight these days is when two large special interests square off.

Zelman and other reformers — most of whom favor some form of public campaign financing — see the solution in reforming the campaign financing system so that lawmakers will not have to turn to special interest lobbies for money. "The solution is to make it easier to raise money, not more difficult. Then they can worry about the things they are supposed to worry about," Zelman offered.

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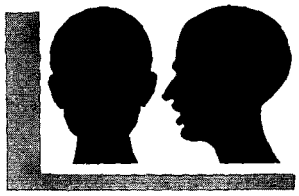

By A.G. BLOCK

A survey is, by its nature, both imperfect and ironic. It asks detailed questions yet often does not accurately measure detail, for it is only as good as those who respond choose to make it. It does, however, serve as a barometer, reflecting trends and moods.

And so it was with a *California Journal* survey on the lobbying industry. Sent to more than 1100 lobbyists, legislators and legislative staff, the *Journal* asked who were Sacramento's most effective lobbyists, most overrated lobbyists and most trusted lobbyists. In addition, it asked what were the biggest myths about lobbying, how important were campaign contributions to a lobbyist's success and what were a lobbyist's most important assets.

Although we received over 200 responses, the survey was unofficially boycotted by the Institute of Governmental Advocates, an association of contract lobbyists. As a result, only 47 of the more than 800 contract lobbyists surveyed bothered to respond. We mention this early on, not to denigrate results of the survey, but to explain that most of the responses came from those who lobby or work with lobbyists but do not have to hustle for clients.

Surveys like this do not provide perfect answers to complex questions. We asked, for instance, that respondents name the most effective overall lobbyist, plus the most effective in four distinct categories: contract lobbyist, nonprofit lobbyist, in-house lobbyist and governmental lobbyist. But as several respondents pointed out, lobbyists often specialize in one area (such as education or transportation) and may be unknown to legislative staff or other lobbyists outside that field. In addition, many lobbyists — including IGA President Donald Burns — stressed that surveys of this nature tend to be "beauty contests" that merely confirm the best-known lobbyists, not the most effective.

Burns is both right and wrong, for while one person did "win" as most-effective overall lobbyist, significantly, no one lobbyist or lobbying firm emerged as dominant. A total of 52 different advocates received at least one mention, highlighting a comment scrawled across one survey: "Who is most effective? From time to time, all of us."

Supporting Burns' contention that the survey was a beauty contest, however, is the fact that the capital's most well-known lobbyists topped the lists as both "most effective" and "most overrated." These results mirror results of a similar survey about Washington, D.C. lobbyists conducted last year by the Washington-based *National Journal*.

Winners and winners

Dugald Gillies, long-time advocate for the California Association of Realtors, was named "most effective overall," leading the way with 18 votes (see profile, page 77). Others in the "top five" were Clay Jackson (13 votes), Donald Brown (12 votes), James Garibaldi (11 votes) and Mary Bergan (5 votes).

Gillies, of course, is an "in-house" lobbyist working for an association and doesn't bid on the open market for clients, as do contract lobbyists. Among the contract lobbyists, Clay Jackson topped the category with 18 votes. Jackson's client list for 1985 included major corporations like Anheuser-Busch, Polaroid and Allied Tube and Conduit, as well as well-heeled groups like the California Hotel and Motel Association.

Others in the top five included Joe Gonsalves (10 votes; clients such as Alta-Dena Dairy and several small cities), Donald Brown (9 votes; see profile, page 78), James Garibaldi (7 votes; clients such as Wine and Spirits Wholesalers of California and Hollywood Park Operating Company) and Dick Ratcliff (5 votes; clients such as E.I. du Pont de Nemours and a state association of credit bureaus) and George Steffes (5 votes; clients such as Exxon, IDS/American Express and Bechtel). But again, 62 contract lobbyists received at least one vote; many received two or three.

This indicates that many lobbyists have reputations for success, which in this business means getting a job done for clients — at least in the minds of those who deal with lobbyists on a regular basis.

The same kind of result occurred when we asked respondents to choose the most underrated lobbyist. Again, 101 different names showed up. Loren Smith topped the category, but with only five votes. Four others tied for second with three votes each (Bergan, Ratcliff, Kathy Rees and Dennis Valentine). Many others received at least two votes.

Those who topped the lists in other categories of "most effective" were:

Non-profit, public-interest: Marjorie Swartz of the American Civil Liberties Union (17 votes, see profile, page 77); Emma Gunterman of the California Rural Legal Assistance Foundation (14 votes; see profile, *CJ*, November 1984); Sue Brock of the California Children's Lobby (12 votes; see profile, page 96); and Mike Paparian of the Sierra Club (9 votes).

In-house: Gillies (13 votes); and Joe Criscione of the Kaiser Foundation Health Plan (6 votes).

Government: Len Bleier, Department of Motor Vehicles (5 votes, see profile, page 78); Ken Byers, Department of Alcoholic Beverage Control (4 votes); Ken Emanuels, League of California Cities (4 votes); and Roger King, County Supervisors Association (4 votes).

Only one category produced a clear "winner" — most overrated lobbyist. Here, Donald Brown received 50 votes, followed by James Garibaldi with 18 votes and Clay Jackson with 15 votes. As mentioned before, Brown, Garibaldi and Jackson also scored well as most-effective lobbyist.

Misperceptions

By an overwhelming margin, the biggest misperception about lobbying was the importance that money or clients' campaign contributions play in the success of a lobbying endeavor. Sixty-eight respondents — over three times as many as voted for any other single "myth" — listed variations on "spending money can buy votes" as the Number One misconception about the industry.

There seems to be some confusion on this point, however, for while respondents said money's influence was a myth, they rated its importance to a lobbyist's success as high. On a scale of 1-10 (with 10 being very important), respondents gave money a "6.7." They also rated "clients who give money" third among six "assets" a lobbyist must have. "Access to members," with 78 votes, led this category, with "reputation for honesty" second with 62 votes. "Clients who give money" received 35 votes.

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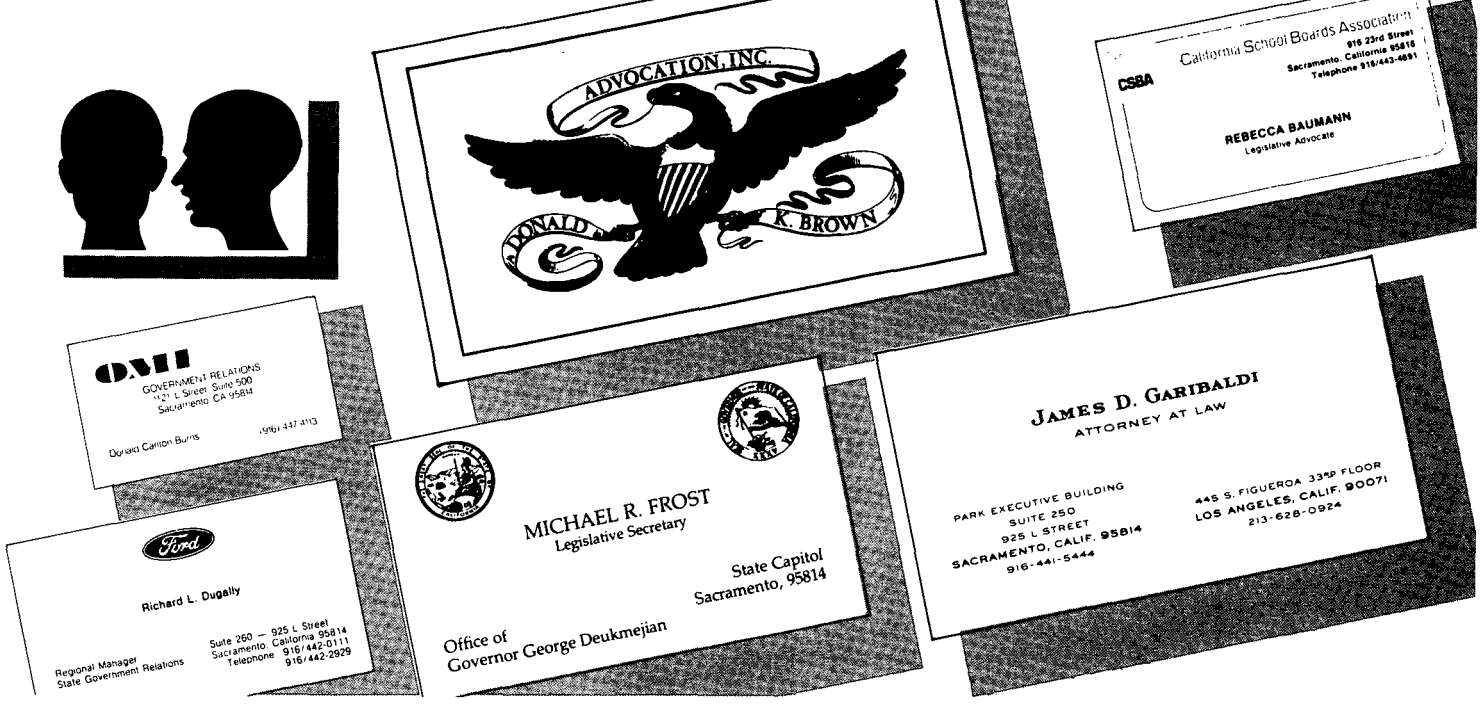

Influencing government for fun and PROFIT

By ELLEN CHAPMAN and RICHARD ZEIGER

In a perfect political world, every lobbyist would have equal access to every legislator, swaying his or her vote with the power of argument. But this is not a perfect world, and some of the 838 registered lobbyists in California are clearly more equal than others.

A review of lobbyists' financial-disclosure statements for the past 10 years shows that some lobbyists have consistently made more money than others, and the reason is clear — they lobby for clients that have more money to spend, both on lobbying and to support the campaigns of lawmakers.

In fact, the research — and interviews with lobbyists — reveals that lobbyists fall into two broad categories: "money" lobbyists, with clients that have fat and ready checkbooks; and "sack lunch" lobbyists, whose persuasive power is not backed by big dollar contributions. Most lobbyists agree that some very effective advocates are employed by groups with limited resources. Those advocates will never appear near the top of the money list, however, and many toil in relative obscurity.

The "money" lobbyists receive most of the notoriety, in part because their clients play for the highest stakes. During the past 10 years, seven firms were consistently among the top 20 money-makers, according to records compiled by the Fair Political Practices Commission. All are considered "money" lobbying firms. But there are other lobbyists that fit in this category, too, and are among the most prominent in the Capitol. Even though these seven firms consistently appear at the top of the commission's list, their appearance there should be considered with some caution since lobbying firms, despite state regulations, can do many things to inflate — or to decrease — the amount of money they report as lobbying payments.

The seven firms are:

A-K Associates, Inc.

Employing seven lobbyists in Sacramento (more than any other firm on the list), A-K also lobbies in Washington, D.C., and has additional people performing public-relations work in both cities. The firm emphasizes the diversity of its staff and claims technical expertise in a variety of areas. The firm's president is S. Thomas Konovaloff, and its clients include the Tobacco Institute, the lottery company Scientific Games, the American Ambulance Association and a number of other health-industry groups.

Advocation, Inc.

With the enigmatic Donald Kent Brown as its leader, this firm is generally considered *the* big-money firm in Sacramento. Brown's clients have given more in campaign contributions than any other contract lobbying firm, and he has a reputation for being able to manipulate the political process to his clients' advantage despite a widespread belief that he lacks detailed knowledge of the issues he supports. Brown's mystique is heightened by the fact that he almost never talks to the press. His biggest clients include the Summa Corporation and the empire of the late Howard Hughes, the Irvine Company, Pearle Vision Centers and the state's mortgage brokers.

George R. Steffes

Steffes has been among the top money makers since he broke away from California Advocates in 1977. With three other lobbyists, Steffes represents a wide variety of wealthy organizations including the state's cattlemen, Exxon, United Hospital Association, the Western Mobilehome Association and Bechtel.

Joe A. Gonsalves

A former legislator, Gonsalves for years worked on his own but has more recently been joined in the business by his son.

Ellen Chapman is an intern with California Journal. *Richard Zeiger is editor of the* Journal.

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Much of his representation currently is for a group of small Southern California cities knows as "contract" cities because they purchase many municipal services from nearby communities. He also lobbies for horse-racing and real-estate-development interests.

James Garibaldi

Known as "The Judge" from his days on the Superior Court (he also served two terms in the Legislature, starting in 1935), Garibaldi is the last of the great one-man operations. A lobbyist for more than 40 years, his business is built upon his long-time representation of the the horse-racing industry, but he also lobbies for Leslie Salt, liquor wholesalers and several smaller oil companies.

Winner/Wagner and Associates

The firm provides both lobbying and public relations services, and its clients tend to operate less in the public eye than those of many of the "money" lobbying firms. They include Humana Inc., the California apparel industry, soft drink firms and architects.

California Advocates

Loren Smith and Ralph Heim have a firm that has also served as a launching pad for other successful lobbyists, and the departure of these advocates has kept this firm from becoming perhaps the biggest in Sacramento. Still, Smith and Heim maintain a formidable stable of clients including the state's automobile dealers and TRW.

There are other well-known "money" lobbyists in Sacramento, some considered among the capital's most influential, including Clay Jackson who represents the insurance industry, thrift and loans and major hotels; George Zenovich and Dennis Carpenter, former senators who now represent Orange and Fresno counties, a lottery firm, and Wickland Oil; William Geyer, lobbyist for the California Housing Council, the Irvine Company and several large farm interests; and Bernard Teitelbaum who represents oil and liquor interests and has also added his clout to that of a number of other lobbyists, most significantly Don Brown.

TOP TEN RANKING

FIRM/LOBBYIST	1985 (6 mos)	1983-84	83-84 RANK
A-K Associates	$534,010	$2,424,249	#1
Advocation, Inc.	488,665	1,954,459	#2
Carpenter, Zenovich & Associates	445,678	1,069,376	#3
Jackson, Barish & Associates	308,977	757,893	#10
George R. Steffes, Inc.	297,565	1,051,190	#4
Joe A. Gonsalves & Son	294,960	843,859	#7
Paul Pr olo, Inc.	264,425	965,556	#5
James Garibaldi	231,069	818,843	#8
Winner/Wagner & Associates	222,459	871,969	#6
California Advocates	219,912	676,969	#11

Reform Act of 1974

The public has been able to get a better picture of the lobbying going on in California since the passage of Proposition 9 in 1974 when the state's voters decided to require more detailed reports of campaign contributions to legislators and the amounts spent by lobbyists to influence lawmakers.

Initially the measure's restrictions, including limits on how much a lobbyist could spend to buy lunch for a legislator and prohibitions on campaign contributions by lobbyists, seemed severe. (That latter provision was voided by the state Supreme Court in 1976.) While it is still rare for lobbyists to be major contributors, they maintain their clout by frequently telling clients who is deserving of a contribution.

No doubt if the commission's reporting requirements were different, the list of top money-making lobbyists would change. For one thing, the reports show only gross income. They don't make adjustments for overhead, the number of lobbyists in a firm, or if the firm makes a profit. For another, there is plenty of leeway in the commission's requirements for lobbyists to make it look like they are making more money — or less money.

Vigo G. (Chip) Nielsen, an attorney with Nielsen, Hodgson, Parrinello and Mueller of San Francisco, notes that lob-

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byists don't have to begin reporting income until they actually work to influence legislation. As a result, if they choose, they can run up large bills with clients and those bills never have to show up on commission reports. This is particularly useful for lawyer-lobbyists, who sometimes bill at lawyer's rates for some work, and then bill at lower rates for actual lobbying. Nielsen, who is also a member of the *California Journal's* board of directors, cites his own law firm as an example. He believes it could be in the top 10, if reporting requirements were different — or if he wanted it to be there.

In addition, when lobbying firms pair up on an issue — either because they want help from a lobbyist with special contacts or just a little extra political muscle — the main lobbying firm may have a choice of reporting the cost of that lobbying on its books, or having the client report it directly to the secondary lobbyist. In 1984, for example, Donald Brown's Advocation Inc. paid more than $100,000 to Bernard Teitelbaum's Capitol Advocates for lobbying services. That money showed up as income to both firms, pushing Capitol Advocates up on the big money list for that year.

While a lobbyist's income statements are a usually reliable index of who is a "money" lobbyist and who carries a "sack lunch," the true measure is the lobbyist's clientele.

Money vs. public pressure

"Money" lobbyists have clients who have — and give — money, most often businesses, but increasingly the professions as well. These clients can amplify their influence by providing legislators with the large campaign contributions they seek. The "sack lunch" crowd lobbies for the less affluent — or in some cases impoverished — sections of society. They rarely have contributions to make.

But if "sack lunch" lobbyists can't compete with large campaign contributions, they sometimes can make up for it by convincing legislators they can deliver votes either for a supportive legislator or against a lawmaker who votes against the group's position. Other times they may convince a legislator of the "moral authority" of their position. In practical terms, "morality" means public sympathy translated into pressure.

A lobbyist's skill is persuasion. Money can be persuasive, but it is not the only tool available. If "sack lunch" lobbyists can't compete with large campaign contributions to legislators, they sometimes can use other tools to their advantage. Often public sympathy and popular pressure work to the advantage of the public-interest lobbyist.

One bill that highlights both sides of the spectrum is a bill last year, sought by the state's wine producers, that would have increased the price of imported wines, presumably to the benefit of domestic producers. The bill was pushed through the Legislature by such "big money" men as James Garibaldi, but was finally vetoed by Governor Deukmejian because of the negative media attention it received. No fewer than 35 editorials opposing the bill appeared while the bill was on the governor's desk. In the words of California Rural Legal Foundation lobbyist Ralph Lightstone, "The press is the public-interest lobbyist's power play."

But overall, the public-interest lobbyists are badly outgunned by the moneyed interests. A recent Common Cause study shows that in some industry groups, there are as many as 36 private-interest lobbyists for every one lobbying in the public interest. And agreement is widespread among lobbyists that it helps if your client has money and is willing to spend it.

"Money in the political system is like a theater ticket," said one lobbyist. "If you can't afford the ticket, you can't see the play." Noted another, legislators "don't forget a guy who brings him a check."

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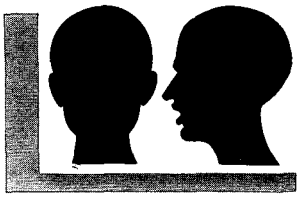


Six with clout

A gallery of distinct styles and reputations

Dugald Gillies

Lobbying is a lot like the retail business, says the man who consistently has ranked among the Capitol's top idea-sellers since leaving the Legislature's staff to become the champion for the California Association of Realtors. "One of the most important things in either communication or sales is knowing your audience, knowing your market," said Dugald Gillies, who is nearing the 20-year mark as legislative advocate for the association.

"In lobbying, you are approaching a specialized market. You have an opportunity not only to judge legislators as a class, but since there are only 120 of them, to try to know what their personal 'hot buttons' are," he said.

Gillies has regularly received high marks from colleagues and legislators in surveys by the *California Journal*. He is known as a hard-working lobbyist who does his homework and knows the details of legislation of interest to his client.

A lot has changed since Gillies quit his job as a Senate consultant in 1967 to become a member of the Third House. "I think lobbyists have greater tools today than they ever had before," he said. "We now have computers that provide us information. We can now find out what everybody else's campaign contributions are to a particular individual on five minutes notice. Years ago, if you wanted that kind of information, you practically had to guess."

And his employer, representing mostly well-to-do real estate agents and their affiliated firms, is a generous giver at campaign time. The California Real Estate Public Action Committee donated $186,570 to statewide and legislative candidates just during the 1984 general election, according to records filed with the secretary of state. That does not even count contributions made by members as individuals.

Campaign donations are an important tool for lobbyists, according to Gillies, but not necessarily the most important.

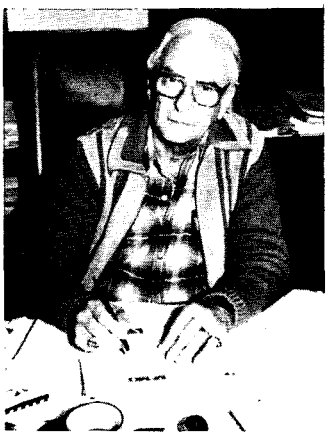
"I use the story that if you want to go to Stanford University, they expect you to pay your tuition. But if you don't have the tuition, you can still go to Stanford. Once you're there, whether you pay the tuition or not, you're on your own. You've got to cut it to get your degree."

It's the same way in the lobbying business, Gillies said. "If legislators know you represent a client that can afford to support campaigns, they expect them to do it. If you represent a client that can't, they don't expect campaign contributions from you," he added. "But once you get past that point, you're on even ground in my judgment. You've got to get your own degree."

Gillies is often able to rely on another tool when going after his "degree" — the legions of real estate agents who can be called upon to visit their local legislators to discuss a particularly important issue.

Gillies' salary is more than $80,000 a year, according to state disclosure reports required of lobbyists, but the job is a demanding one. "We have multiple issues, and it seems like there are always more issues than there is time," he said. "It's a combination of time demands and the demand for answers. I work for a trade association, which is different than working for a large corporation. Most lobbyists I know who work for a large corporation have one individual to call and ask, 'What do I do? What can I do? How do I react to this?'

"I have to consider 100,000 members. There's no one individual I can call and get an answer. So when the time pressure comes on, it makes it difficult for me."



Dugald Gillies

Marjorie Swartz

Still, Gillies is not sure he would feel comfortable representing several clients, as do many of the other top lobbyists in Sacramento. "That would add a whole new dimension. For me, it would make it difficult at times to give all the attention to a particular client you would like because of the particular demands of competing clients. I may have competing issues, but at least they're all for the same client."

— Steven Capps

Marjorie Swartz

For Marjorie Swartz, the American Civil Liberties Union lobbyist in Sacramento, the most difficult part of her job is "continually getting myself psyched up for making unpopular arguments."

"I strongly believe in what I'm doing," she explained, "but for year after year, to have to follow a group of sobbing victims or relatives of victims is, well, difficult."

With Californians consistently showing an inclination toward stiffer penalties for criminals, Swartz' positions are as unpopular as ever. Yet she has won the respect and friendship of those who may never agreed with those positions. Larry Stirling, a Republican assemblyman from San Diego who chairs the Public Safety Committee, even agreed to carry a court-streamlining measure sponsored by the ACLU.

"A strange alliance," Swartz mused.

A self-professed "political junkie," Swartz set out to be an architect but, while studying at a Cleveland, Ohio, college,

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decided it just wasn't for her. "After kind of being a hippie for a few years" she got involved in local political campaigns.

"I decided politics was the love of my life, but I was getting paid something like $25 a week and all the people who were making money were lawyers. I decided that if you didn't have charisma, you had to go to law school," she said.

She was graduated from McGeorge School of Law in Sacramento and, in 1980, became a legislative advocate for the State Public Defender's office. In 1983 she went to work for the American Civil Liberties Union.

"I really liked public defense work, but I decided I didn't want to be a trial lawyer because it was too stressful," she said, laughing when reminded of the long hours she keeps as a lobbyist.

Whether a lobbyist represents a well-financed business or a hand-to-mouth public-interest organization, many of the qualities necessary for success are the same, she said.

"I'd say the unifying factors are that you have to be honest and you have to have credibility. Legislators have to be able to depend on both the substance of what you say and the accuracy of your facts."

However, she also believes that in the public-interest area in which she works, "you really have to know your field more. I think when you're representing a business interest, it's a lot easier to say, 'This really hurts my clients,' or, 'This really helps my clients,' and then legislators can decide whether they want to help or hurt your clients."

While many of her colleagues would disagree, Swartz said the importance of campaign contributions in relation to legislative advocacy is "overblown."

"In my area, that is never an issue," she said. "It's the cops against us, or the victims' groups or the right-to-lifers. It's never a question of money."

Her love for politics and the legislative process makes it particularly easy to perform one of the key requirements of her job — keeping track of legislation, personalities and the Legislature's power structure. "I love to sit in the gallery and watch the antics, or run around the halls to find out what the issues are and where people stand on them."

But her fascination with politics does not include pursuit of public office. "No, never, ever," she said. "The personal-life scrutiny is terrible."

— Steven Capps

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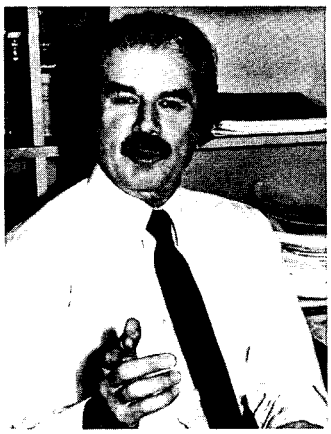

Len Bleier

Donald Kent Brown

Len Bleier

Len Bleier, the Department of Motor Vehicles' man in the Capitol, may not be able to make campaign contributions to legislators, but he has the power to help them in other ways — and says he often does.

Bleier, a 37-year veteran of the DMV who was a former manager of both the Los Angeles and San Diego field offices, has been the department's lobbyist since 1971. But his job has become more than persuading lawmakers.

"As you know, lobbyists have ways of contributing to campaigns and otherwise having favors done (for legislators) but state employees don't have that luxury," he said. "One of the things that we are able to provide for members is prompt and thorough follow-through on constituent problems they bring to us.

"A day doesn't go by that it doesn't happen — several in a day, in fact," he said. "We provide them with the kind of information that lets them deal with a constituent. Sometimes we have goofed and the wrong is righted by our intervention. Much of the time we act as an ombudsman. Sometimes it's a matter of just being able to justify to a legislator — and he or she to a constituent — what that constituent didn't quite understand about their dealing with the DMV."

When Bleier first took the job, he was upset by what he called the "whipping boy" role government agency lobbyists were often forced to assume before the Legislature. He regularly found himself answering for departmental policies that he had had nothing to do with.

"In the beginning, I had a difficult time dealing with that until I accepted the fact that you just go with the flow," he said. "Knowing how not to take that personally is something that you have to learn to deal with, otherwise it would get to you."

Now, however, he would not trade his position for any other. "It sort of gets in your blood, like show business," he said.

According to Bleier, the most fulfilling part of the job is "the interaction I have with legislators and their staffs. The

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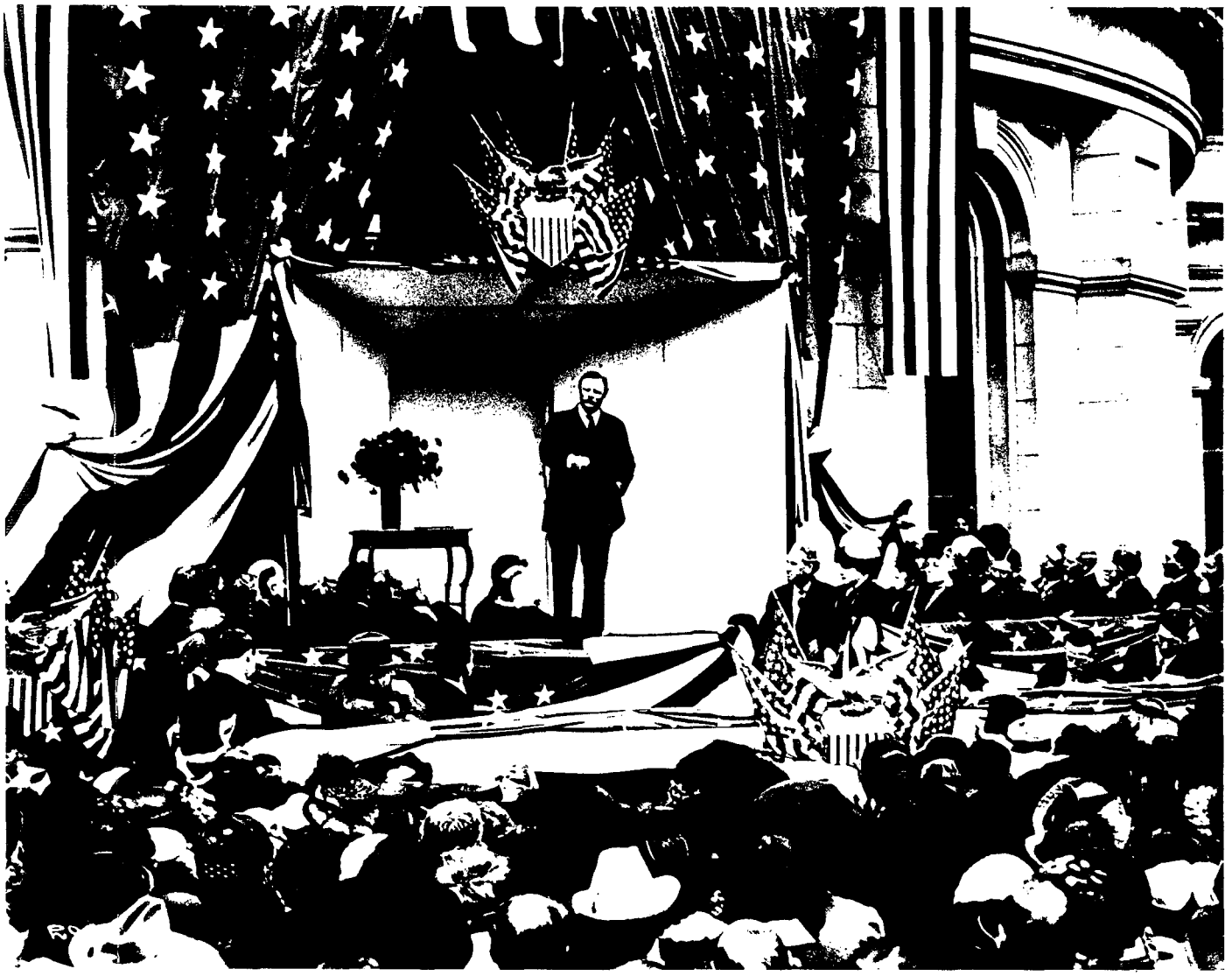
CALIFORNIA
Journal

PRACTICAL GUIDE TO STATE AND FEDERAL CAMPAIGN REFORM LAWS

Fifth Edition

By Nielsen, Hodgson, Parrinello & Mueller



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INTRODUCTION

This fifth edition of the *California Journal Practical Guide to State and Federal Campaign Reform Laws* is designed to help cope with the complex rules of the political game. Prior to 1975 Californians didn't have to pay much attention to the accurate and timely reporting of campaign financial activities. But since the Political Reform Act of 1974, a great burden is placed on the shoulders of those who participate in California's political process. Those who fail to meet the ever-changing requirements of the law risk fines, embarrassment and possibly imprisonment.

The state Fair Political Practices Commission, which has the primary responsibility for administering and implementing the Political Reform Act, has prosecuted those who have made inadvertent errors. A number of elected officials and contributors have had their reputations damaged because of alleged campaign-reporting violations. This booklet is arranged in a logical sequence with a question-and-answer format showing precisely who must file what, when and where. California enacted a major revision of its campaign law in 1985 and those changes are included in this pamphlet. Sources of more detailed information are listed on the back page.

Nielsen, Hodgson, Parrinello & Mueller is California's largest political law firm, with offices in San Francisco and Sacramento. Senior partner Vigo G. (Chip) Nielsen, Jr. authored the Campaign Law Reporter Reference Manual *(1975-82) and many articles on political-reform law; he is also a member of the* California Journal *Board of Directors.*

CALIFORNIA LAW

(Government Code sections 81000-91015)

What is the basic purpose of the 1974 Political Reform Act's campaign provisions?

According to the Act, the "receipts and expenditures in election campaigns should be fully and truthfully disclosed in order that the voters may be fully informed and improper practices may be inhibited." To accomplish that purpose the Political Reform Act requires candidates, committees supporting candidates for state and/or local office, and committees supporting or opposing ballot measures to file periodic campaign statements disclosing detailed financial contribution and expenditure information.

Does the Political Reform Act apply only to contributions by individuals?

No. In order to achieve its purposes, the Act regulates contributions by all persons. A "person" means an individual, proprietorship, firm, partnership, joint venture, syndicate, business trust, company, corporation, association, committee, and any other organization or group of persons acting in concert.

WHO MUST FILE

At what level of government does the Political Reform Act apply?

The Act applies to candidates, committees supporting or opposing candidates, elected officeholders, and committees supporting or opposing ballot measures at ALL levels of state and local government. Thus, candidates for school board as well as those seeking state office are covered by the Act. Even elections to county central committees of political parties are included. Committees supporting or opposing county or city ballot measures are covered by the Act as are committees involved with statewide ballot-measure elections. Contributions supporting or opposing federal candidates are governed by federal, not California, law (discussed later in this Guide). Cities and counties may enact their own more restrictive campaign laws, including limitations on contributions to candidates. Local election officials should be consulted before any local government campaign activity is undertaken. (See box on page 10.)

Who is an elected officeholder?

Any individual who holds a state or local elective office, by election or appointment, is an elected officeholder. This includes state, region, county, city, judicial, special district and county central committee offices.

Who is a candidate?

California law broadly defines "candidate" to include not only individuals who are listed on a ballot, but also individuals who

1. have qualified to have write-in votes counted;
2. have received contributions or made expenditures to get themselves nominated or elected to any elective office (even though they have not declared their candidacy for the office or later change their minds);
3. have consented to permit other persons to receive contributions or make expenditures on their behalf; or
4. are the subject of a recall election.

The definition of "candidate" includes not only winning but also losing and write-in candidates.

What is a committee?

Under California law there are three primary types of committees that must file campaign reports. An individual, firm, company, business, partnership, corporation, association, trust or any other organization or group becomes a committee by raising or spending money for the purpose of influencing California voters for or against a candidate or ballot measure IF they do any of the following:

1. **RECIPIENT COMMITTEE** — raises $500 or more in a calendar year.

2. **INDEPENDENT EXPENDITURE COMMITTEE** — independently spends (as distinguished from contributing cash, checks, services, or something of benefit to a candidate or other committee) $500 or more in a calendar year.

3. **MAJOR DONOR** — contributes or loans $10,000 or more in a calendar year.

Most political committees are "Recipient Committees" because $500 is collected for later use in an election campaign. The "Independent Expenditure Committee" is less common as it covers only those expenditures made in connection with communications that expressly advocate the election or defeat of a clearly identified candidate or ballot measure (the purchase of a billboard or newspaper advertisement, etc.) and which are made independent of the candidate or his or her controlled committees. A person does not become an "Independent Expenditure Committee" by making a non-monetary contribution (use

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of office space, car or other asset) to a candidate or his or her committee.

"Major Donor" committees generally are individuals or businesses contributing $10,000 or more directly to candidates or ballot-measure committees. This $10,000 threshold refers to the total of all contributions to all California candidates (state or local), candidate committees and ballot-measure committees in a calendar year.

Are other categories of committees defined in the Act?

Yes. While the three types of committees that must file campaign reports are described above, each may be further defined in the Act as a result of its interests, control or support.

1. **CONTROLLED COMMITTEE** — a Recipient Committee controlled directly or indirectly by a candidate or state measure proponent or acting jointly with a candidate, controlled committee or state measure proponent in connection with the making of expenditures.
2. **SPONSORED COMMITTEE** — a committee, other than a controlled committee, that has more than one sponsor (frequently a political action committee). Any person except a candidate, proponent, or other individual may sponsor a committee. (See subsequent section.)
3. **GENERAL PURPOSE COMMITTEE** — all Independent Expenditure Committees and Major Donors, as well as all Recipient Committees formed primarily to support or oppose more than one candidate or ballot measure.
4. **PRIMARILY FORMED COMMITTEE** — a Recipient Committee formed or existing primarily to support or oppose a single candidate or a single measure or a group of specific candidates being voted upon in the same city or county election.

Must a committee register?

Only a Recipient Committee must register by filing a Statement of Organization (FPPC Form 410) with the Secretary of State within 10 days after it has qualified as a committee. The Secretary of State will assign it a number that must appear on all campaign statements. A Recipient Committee need register only once.

Can the committee amend its Statement of Organization?

Yes. In fact, if the information on the Statement of Organization changes, the Secretary of State must be notified within 10 days by filing an amended Statement of Organization.

Must committees be identified in any special way on the Statement of Organization, campaign reports and campaign literature?

Yes. Beginning January 1, 1986, certain campaign committees must identify the committee sponsors in the names of the committees.

What is a sponsor?

A sponsor is a business, organization, association, union or other entity that meets certain criteria. An individual, candidate or proponent of a ballot measure is not considered a sponsor.

What are the criteria for being the sponsor of a committee?

An entity is a sponsor of a committee if it meets any of the following tests:

1. The entity or its members, officers or shareholders provides the committee with all or nearly all of its contributions; or
2. The entity collects contributions for the committee by payroll deductions or dues from its members, officers or employees; or
3. The entity, alone or in combination with others, provides the committee with all or nearly all of its administrative services; or
4. The entity, alone or in combination with others, sets the policies for soliciting contributions or making expenditures of committee funds.

Examples of "Sponsors":

a. The members of the Mushroom Growers Association establish a committee and provide contributions to the committee. The Association is the sponsor of the committee.

b. The Plastic Widget Manufacturers Association collects political contributions from its members for a committee as part of the membership dues. The Association is the sponsor of the committee.

What are the rules on identifying the committee?

1. If a committee has only one sponsor, the name of the committee must include the name of the sponsor. The name must be the official or publicly recognized name of the sponsor, but may include other words so long as the name of the sponsor is also a part of the name.
2. The name of a committee with more than one sponsor must include a term identifying the industry or other identifiable group to which the sponsors belong, but does not have to include the name of each sponsor.
3. The committee may have only one name, and that name must be used whenever the committee is required by law to be identified: on all of the committee's campaign statements, all of its mass mailings, and all of the contributions made by the committee.
4. Any committee which is primarily formed to support or oppose a ballot measure must include the statement "a committee for Proposition (or Measure) ___," or "a committee against Proposition (or Measure) ___," or equivalent language, in any reference to the committee required by law. This includes the committee's Statement of Organization (Form 410), its campaign statements, and its mass mailings.
5. When the number or letter of the ballot measure is designated, a committee subject to this requirement must amend its Statement of Organization within 30 days to include the required language.
6. A committee in existence prior to 1986 must determine whether its name complies with the new requirements. If it does not, the committee name must be changed to comply with the new requirements, and the committee must file an amended Statement of Organization (Form 410), with the Secretary of State to show its new name no later than January 31, 1986, reflecting the amended name of the sponsored committee.

When may a committee stop filing campaign statements?

A Recipient Committees does not automatically terminate and may only cease filing campaign statements when:

1. it has ceased to receive contributions or make expenditures and does not anticipate receiving

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contributions or making expenditures in the future; and
2. it has eliminated, or has declared that it has no intention or ability to discharge, all its debts, loans received and other obligations; and
3. it has no surplus funds; and
4. it has filed all required campaign statements disclosing all reportable transactions.

Recipient Committees terminate only after they file the necessary termination statement (Form 415) with the Secretary of State, with copies to the filing officers with whom campaign statements were last filed.

Independent Expenditure Committees and Major Donors automatically terminate at the end of each calendar year, but Independent Expenditure Committees may still be required to file campaign statements for election activities commenced before the end of that calendar year.

Must a committee have a treasurer?

Yes. ALL committees (Recipient, Independent Expenditure and Major Donor) must have treasurers. No contribution or expenditure may be accepted or made by a committee without a treasurer. The treasurer has responsibility for registration (if required), filing of campaign statements, receipt of contributions and approval of expenditures. In addition, the treasurer must keep detailed accounts, records, bills and receipts for all transactions. Personal funds may not be mixed with campaign funds. Contributions received by agents of the committee (i.e., paid staff and volunteers working for the committee) must be promptly reported to the treasurer no later than the closing date of the next statement.

Who must sign campaign statements?

All campaign statements must be signed by the filer and must state under penalty of perjury that the filer used all reasonable diligence in its preparation and that to the best of the filer's knowledge it is true and complete. Campaign statements filed by committees must be signed by the treasurer.

If the person filing a campaign statement is an entity other than an individual, the statement must be signed and verified by a responsible officer of the entity or by an attorney or a certified public accountant acting as agent for the entity. A candidate or officeholder who controls a committee must also verify campaign statements.

1. ***Candidates and Officeholders***. If the filer of a campaign statement is a candidate or officeholder, the statement must be signed by that individual. A candidate or officeholder must verify the truth and completeness of the statement as well as his or her use of reasonable diligence in its preparation.

2. ***Controlling Candidates and State Ballot Measure Proponents***. A candidate controlling a committee or proponent of a state ballot measure must also sign the campaign statement of each committee subject to his or her "control." The candidate or proponent must verify that, to the best of his or her knowledge, the treasurer used all reasonable diligence in preparing the statement and that it is true and complete.

3. ***Recipient Committees***. If the filer of a campaign statement is a "Recipient Committee," the statement must be signed by the committee treasurer. The treasurer must verify that the statement is true and complete and that he or she has used all reasonable diligence in its preparation. Additional verification is required if the committee falls into one of the following categories:

A) ***Controlled Committees*** – If a committee is "controlled" by *no more than three candidates*, each controlling candidate must also sign and verify the committee's campaign statements. If a committee is controlled by *more than three candidates*, one of the candidates may sign on behalf of all controlling candidates.

The campaign statements of a committee which is "controlled" by a *legislative caucus* must be signed and verified by the caucus chairman. The verification of the controlling candidate(s) or caucus chairman must attest to the fact that the statement is true and complete and that the committee treasurer has used all reasonable diligence in its preparation.

B) ***Sponsored Committees*** – If a committee is "sponsored," the committee's campaign statements must be signed and verified by a responsible officer of the "sponsor" as well as by the committee treasurer. The officer must verify the treasurer's use of all reasonable diligence in the preparation of a true and complete statement.

4. ***Independent Expenditure and Major Donor Committees***. The law specifying who must verify a committee statement filed pursuant to the Political Reform Act was changed, effective January 1, 1986. If a committee is a single individual, that individual must sign and verify the committee's statements. The verification must certify the signator's own use of reasonable diligence in the preparation of a full and truthful report. If the committee is an entity other than a "Recipient Committee," the statement must be verified by either (1) a responsible officer of the committee, or (2) an attorney or a certified public accountant who acts as an agent for the committee. The officer, accountant or attorney must verify the accuracy and completeness of the statement as well as the treasurer's use of all reasonable diligence in its completion.

Must all candidates have committees?

No. There is no requirement that a candidate form a Recipient Committee on his or her behalf. However, the candidate must still file campaign statements similar to those of a Recipient Committee, disclosing receipts and expenditures. If the candidate does form a committee (example: "Friends of Jones") and registers it with the Secretary of State, he or she must file either a Candidate's Campaign Statement (Form 430), even though all contributions received and expenditures made are disclosed on the committee's statement, or file a Consolidated Campaign Statement (Form 490) covering the activities of both the candidate and the committee.

Must persons attempting to qualify a ballot measure (local or state) file campaign statements?

Only proponents of a proposed state ballot measure (persons who submit the state measure to the Attorney General for title and summary) who control a committee for that purpose must file campaign statements whether or not they succeed in qualifying the measure for the ballot. Proponents who do not control a committee have no filing responsibility.

Committees that support or oppose qualification of a state measure also must file.

However, supporters and opponents of local or state ballot measures who do not qualify as a "committee" are not obligated to file. If they do qualify as a "committee," they must file campaign statements whether or not the measure qualifies for the ballot.

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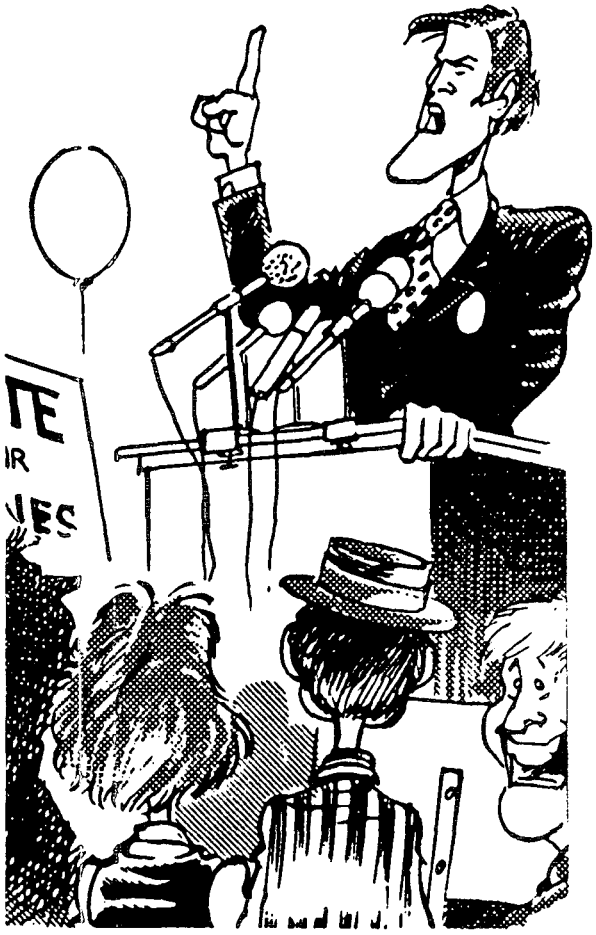

WHAT MUST BE DISCLOSED

Are specific forms available for use by those required to file?

Yes. The following forms must be used:

FORM 405: **AMENDMENT TO CAMPAIGN DISCLOSURE STATEMENT.** For amending campaign statements previously filed.

FORM 410: **STATEMENT OF ORGANIZATION.** For use only by Recipient Committees. Independent Expenditure Committees and Major Donor Committees do not file Statements of Organization.

FORM 415: **RECIPIENT COMMITTEE TERMINATION STATEMENT.** For terminating a Recipient Committee. Independent Expenditure and Major Donor Committees do not use Form 415 because they terminate automatically at the end of each calendar year and must requalify in another year before they incur additional filing obligations.

FORM 420: **RECIPIENT COMMITTEE CAMPAIGN STATEMENT.** Recipient Committees that receive one or more cumulative contributions of $100 or more from a single source during a calendar year must file this form.

FORM 425: **SEMI-ANNUAL STATEMENT OF NO ACTIVITY.** For use by a non-controlled committee that has not received any contributions and has not made any expenditures during the six-month period covered by a semi-annual statement.

FORM 430: **CANDIDATE'S CAMPAIGN STATEMENT.** This form must be used by all candidates and elected officeholders not eligible to use the short Form 470, and who choose not to use Consolidated Form 490.

FORM 450: **RECIPIENT COMMITTEE CAMPAIGN STATEMENT — SHORT FORM.** This form may be used by Recipient Committees if no single source contributed $100 or more cumulatively during a calendar year. If single-source contributions of $100 or more have been received, Form 420 or 490 must be used.

FORM 461: **EXPENDITURE AND MAJOR DONOR COMMITTEE CAMPAIGN STATEMENT.** For use by Independent Expenditure Committees and Major Donor Committees.

FORM 465: **SUPPLEMENTAL INDEPENDENT EXPENDITURE REPORT.** For use by persons or committees that make independent expenditures of $500 or more in a calendar year in connection with a single candidate or measure. This form must be filed *in addition* to any other campaign statement required to be filed.

FORM 470: **CANDIDATE AND OFFICEHOLDER CAMPAIGN STATEMENT — SHORT FORM.** For use only by candidates and elected officeholders who have raised or spent less than $500, or on whose behalf less than $500 will be raised or spent during the calendar year.

FORM 490: **CONSOLIDATED CAMPAIGN STATEMENT.** For use by a candidate filing jointly with one or more of the candidate's committees.

FORM 495: **SUPPLEMENTAL PRE-ELECTION STATEMENT.** For use by any officeholder, candidate or Recipient Committee that makes contributions totalling $5,000 or more to candidates or committees primarily formed to support or oppose candidates or ballot measures all being voted upon in a single jurisdiction. This requirement does not apply during any six-month period when the contributing officeholder, candidate or committee is otherwise required to file regular pre-election statements.

Where can the forms be obtained?

The forms can be obtained from the Secretary of State, Political Reform Division, P.O. Box 1467, Sacramento, CA 95807; the FPPC, P.O. Box 807, Sacramento, CA 95804-0807 or 107 South Broadway, #7007, Los Angeles, CA 90012; and from local county and city clerks.

What must be disclosed on a campaign statement?

In summary form, the total of all monetary contributions, unpaid loans, non-monetary contributions, pledges, payments, accrued expenses and cash on hand must be disclosed. In addition, separate schedules must be completed as discussed below.

Must certain transactions be disclosed in detail?

Yes. All contributions (see definition below) received from one source totaling $100 in a calendar year, and all expenditures of $100 or more must be itemized. Contributions (monetary, non-monetary and loans) from committees of $100 or more must include the date received, name and address of committee, the committee's registration number, the amount, and the yearly cumulative amount to date. Contributions from others of $100 or more must list the date, name and address, occupation and employer of the contributor, amount, and yearly cumulative amount to date. Expenditures of $100 or more must include the name and address of the payee, description of services and the amount.

What is a contribution?

"Contribution" includes a payment, gift, advance, dues, loan or enforceable promise of money or anything of value (pledge), unless it is clear from the surrounding circumstances that it is not made for a political purpose. It includes the purchase of tickets for dinners and other campaign fund-raising events, the candidate's own money, discounts or rebates not available to the general public, services and expenses of an employee donated by his

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employer, forgiveness of a loan, payment of a loan by a third party, and the transfer of anything of value from one committee to another committee.

Does "contribution" include voluntary personal services?

No. A "contribution" does not include a volunteer's personal services provided without compensation and payments made by an individual for his or her own personal travel expenses, if these payments are made voluntarily, without any understanding or agreement that they will be repaid. Use of one's office or home for a campaign meeting or fund raising event is exempt from the definition of contribution if the costs incurred for the event are $500 or less.

How do you determine the value of a non-monetary contribution?

Establish the estimated fair market value of the goods, services or facilities contributed to the campaign. The fair market value is the price that a person would have to pay to acquire the same goods, services or facilities in the open marketplace.

May a person make a contribution for someone else if the true donor's identity is not clear from the face of the check?

Yes, but a person making a contribution on behalf of another is an "intermediary" who must disclose to the committee not only his or her identifying information, but that of the donor actually making the contribution. The information on both the donor and intermediary must be reported on the campaign statement. However, if a person only "delivers" a check from someone else and the identity of the true donor is clear on the face of the check, he is not an intermediary and only the donor's identifying information need be disclosed by the committee.

What is a pledge?

A pledge is an enforceable promise (i.e., contract) to make a contribution to the campaign.

Is a loan always a contribution?

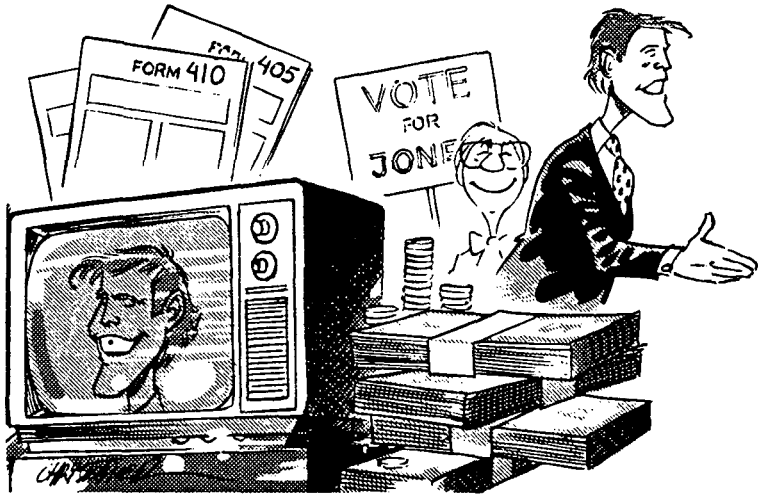
A loan received by a committee or candidate is a contribution unless the loan is made by a commercial lending institution in the ordinary course of business, or (in the case of a loan to a candidate) it is clear that it is not made for political purposes. Although a loan may not be a contribution, the loan must be reported if it is received by a committee, or received by a candidate and used for political purposes.

Are there new requirements regarding reporting "loans made" and "loans received" by a candidate or committee?

Yes. Beginning January 1, 1986, candidates and committees must report additional information concerning loans. The campaign statements have been revised to provide for the additional information required. All loans received during the reporting period and all loans made during the reporting period must be reported. Additionally, once each calendar year, the current status of all outstanding loans, both made and received, must be disclosed. In 1986 this report will be made on the first semi- annual statement.

Can a committee refuse a contribution and not be required to report it?

Yes. A monetary contribution is not reportable if it is not deposited and is returned to the contributor before the closing date for the campaign statement on which it would



otherwise be reported. A "late contribution" received after the closing date of the last pre-election campaign statement need not be reported if it is not deposited and is returned to the contributor within 24 hours of receipt.

How should expenditures made to an agent or independent contract or (e.g., an advertising agency) be reported?

Expenditures to any agent or independent contractor (or anyone else who receives payment from a campaign committee and, in turn, pays third parties [subvendors] for goods or services which are provided to the campaign) must be itemized on campaign statements. The report must show both the person receiving payment from the campaign with the amount paid and the subvendors who provided the goods or services. Only subvendors paid $100 or more, during the period, must be shown with the amounts each received and a description of the goods or services provided. The agent or independent contractor is not required to disclose its own overhead and normal operating expenses as a subvendor.

What are accrued expenses?

Accrued expenses are those bills owed by the candidate or committee at the closing date for reporting campaign transactions.

What is meant by "cumulative amount"?

As noted above, certain contributions require the disclosure of cumulative amounts. Cumulative amount means the combined amount contributed or loaned from a single source during the calendar year. There are two exceptions to the calendar year determination of cumulative amount: 1) if a statement is filed in one year in connection with an election to be held in another year, the period over which the cumulative amount is calculated ends on the closing date of the first semi-annual statement filed after the election; and 2) if a ballot-measure qualification effort extends into two calendar years, the period over which the cumulative amount is calculated ends on the closing date for the campaign statement filed in connection with the qualification effort (35-day post-qualification statement).

If a person contributes less than $100 during one reporting period and later that same year contributes enough to equal or exceed $100, must the contributor's identity be disclosed?

Yes. Once a person's contributions to a committee equal or exceed $100 during a calendar year, the contributor must be identified on the next campaign statement. Monetary and non-monetary contributions and loans from one source

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must be added together to determine the cumulative amount.

What is a "closing date"?

The cutoff date for campaign transactions that must be reported in the specific campaign statement being filed. Generally the closing date is five days prior to the filing deadline for the specific campaign statement.

Can campaign reports be amended?

Yes. Form 405 is specifically intended for this purpose. Amending an incomplete or incorrect report is considered evidence of good faith.

WHEN TO FILE

When must campaign statements be filed?

Filing deadlines for campaign statements are determined by the type of committee, the jurisdiction, the candidates and/or measures supported or opposed, and the date of the election.

"Threshold" statements (required to be filed from 1981 through 1985) have been eliminated. Instead two pre-election statements are required. Semi-annual campaign statements are now mandatory for all committees regardless of activity, and there are no "off-election year" statements other than semi-annual statements.

Below are filing deadlines for different types of committees:

GENERAL PURPOSE MAJOR DONOR AND INDEPENDENT EXPENDITURE COMMITTEES

All Major Donor and Independent Expenditure Committees are, by definition, general purpose committees and, therefore, are only required to file semi-annual campaign statements in each calendar year. This is true for Major Donor and Independent Expenditure Committees participating at the statewide level or at the county level. If all the activity is in one city, Major Donor and Independent Expenditure Committees are required to file by pre-election deadlines in that jurisdiction at the same time as the candidates they support and also file semi-annual campaign statements.

Period Covered	Filing Deadline
01/01/86-06/30/86	07/31/86
07/01/86-12/31/86	02/02/87

RECIPIENT COMMITTEES

General purpose committees (state, county, and city) 1986 Filing Deadlines:

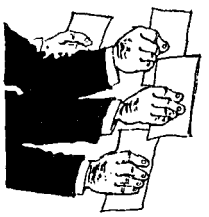
Period Covered	Filing Deadline
01/01/86-03/17/86	03/24/86**
03/18/86-05/17/86	05/22/86**
05/18/86-06/30/86	07/31/86
07/01/86-09/30/86	10/06/86**
10/01/86-10/18/86	10/23/86**
10/19/86-12-31/86	02/02/87

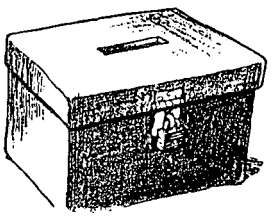
**State and county general purpose committees are not required to file such pre-election statements unless $500 or more in contributions or independent expenditures have been made during the period covered by the statement. City general purpose committees are required to file pre-election statements as required above only during the six month period in which an election is held. General purpose Recipient Committees may also have special filing requirements (see page 10).

CANDIDATES AND THEIR CONTROLLED COMMITTEES

All candidates and their controlled committees being voted on in June or November are required to file by semi-annual filing deadlines as stated above. Additionally, such committees are required to file pre-election statements before the elections when the supported candidate is on the ballot. Candidates and their controlled committees may also have special filing requirements (see below).

BALLOT MEASURE COMMITTEES AND PROPONENTS OF STATE BALLOT MEASURE COMMITTEES





Ballot-measure committees and proponents of state ballot measures who control committees supporting measures to be voted on in June or November, are required to file semi-annual statements and pre-election statements by the same deadlines in 1986 as stated above for candidates on the same ballot.

These semi-annual and pre-election filings are required only after the committee has filed a statement 35 days after the deadline for filing petitions or 35 days after the measure has either qualified or failed to qualify for the ballot, whichever is earlier. The 35-day post-qualification report must include all campaign transactions from inception through 28 days post-qualification.

CANDIDATES, THEIR CONTROLLED COMMITTEES, RECIPIENT COMMITTEES, MAJOR DONOR AND INDEPENDENT EXPENDITURE COMMITTEES PARTICIPATING IN ELECTIONS HELD IN OTHER THAN JUNE AND NOVEMBER OF EVEN NUMBERED YEARS

In addition to mandatory semi-annual statements, pre-election statements are required to be filed as follows:

40 days prior to the election (for campaign transactions ending 45 days prior to the election);

12 days prior to the election (for campaign transactions ending 17 days prior to the election).

If there is a run-off election held within 60 days of the qualifying election, an additional pre-election statement is due no later than 12 days before the runoff election (for campaign transactions ending 17 days before the election).

There are no "post election" statements required other than the semi-annual statements. There may be special filing requirements (see below).

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Are there any special campaign statements required?

Yes, Recipient Committees which make contributions of $5,000 or more during the six months prior to an election, including a run-off election for which the Recipient Committee is not filing pre-election statements during that same six months, shall file a supplemental pre-election statement (Form 495) and a regular campaign statement (Form 420, 450 or 490) no later than 12 days before the election, where the contributions are being made, for the period ending 17 days before the election. This statement is to be filed with each office with which the Recipient Committee filing the statement is required to file its next campaign statement.

Are there any special filing requirements?

Yes, the 12-day pre-election campaign statement must be delivered in person by the filing deadline or mailed by guaranteed, overnight mail through the United States Postal Service (Express Mail) on the filing deadline.

Must contributions and independent expenditures aggregating $1,000 made or received during the last few weeks before an election be separately reported?

Yes. A "late contribution report" must be filed within 24 hours if a contribution or loan aggregating $1,000 or more is made or received after the closing date of the last campaign report filed before an election, but before the election. Both the donor (if a candidate or a committee) and the recipient must report the date, amount and full identification of the contribution by telegram, mailgram, personal delivery or guaranteed overnight mail service through the United States Postal Service to the filing offices where campaign reports were last filed. The recipient of such a contribution must also report the name, address, occupation and employer of the contributor.

A "late independent expenditure report" listing an independent expenditure aggregating $1,000 or more during this same period must also be reported within 24 hours by the committee making the independent expenditure. A committee that makes a late independent expenditure must identify fully the candidate's name, office, and district, or the measure's number or letter and jurisdiction. In addition, the date and amount of the expenditure and a description of the goods and services must be provided.

Are there exceptions to the numbers of campaign statements that must be filed?

Yes. Elected officeholders whose salaries are less than $100 a month and judges need not file semi-annual campaign statements unless they receive contributions or make expenditures during the period.

A candidate or officeholder who receives or spends $500 or less may avoid filing any other statement if he files a Form 470 Candidate and Officeholder Campaign Statement — Short Form. This form contains a declaration to be signed by the candidate stating that to the best of the candidate's knowledge less than $500 has been or will be received or spent on his or her behalf.

WHERE TO FILE STATEMENTS

Where must campaign statements be filed?

Except for city-only elections, two copies must always be filed with the clerk of the county in which the person or committee is domiciled, as determined by the address on the campaign statement (out-of-state file in Los Angeles County). Additional filings must be made as follows, provided that no more than two copies need be filed in any one county:

- Statewide officeholders, candidates, Supreme Court Justices, state central committees of political parties, and their supporting committees, committees supporting or opposing statewide measures and state general purpose committees:
  Original plus one copy with the Secretary of State, P.O. Box 1467, Sacramento, CA 95807; two copies with the Registrar-Recorder of Los Angeles County, Campaign Reporting Unit, 5557 Ferguson Drive, Los Angeles, CA 90022; two copies with the Registrar of Voters of the City and County of San Francisco, Campaign Statements, Room 155, City Hall, San Francisco, CA 94102.
- Candidates for and members of the Legislature, Appellate and Superior Court, and State Board of Equalization and supporting or opposing committees:
  Original and one copy with the Secretary of State; two copies with the clerk of the county with the largest registration in the district affected.
- Other multi-county candidates and measures and supporting committees (but not statewide):
  Original and one copy with the clerk of the county having the largest registration.
- Single-county candidates and measures and supporting committees:
  Original and one copy with the county clerk.
- Single-city candidates and measures and supporting committees:
  Original and one copy with the city clerk.

How may the statements be filed?

Campaign statements may be delivered by hand by the deadline. Statements sent by first-class mail are considered received on the date of deposit in the mail. If lost in the mail, the candidate or committee must possess a post office receipt showing that the report was mailed.

The final pre-election campaign statement must be personally delivered or sent by guaranteed overnight mail through the United States Postal Service. Late contribution or late expenditure reports must be personally delivered or reported by mailgram, telegram, or guaranteed overnight mail through the United States Postal Service.

PROHIBITIONS

Are anonymous contributions prohibited?

A donor may not make anonymous contributions totaling $100 or more in a calendar year to a campaign. Any anonymous contribution of $100 or more received by a candidate or committee must be turned over to the Secretary of State.

Does California law limit cash transactions?

No monetary contributions or expenditures of $100 or more may be made in cash. Transactions of $100 or more must be made by check or other written instrument containing the donor's name. The fair market value of all non-monetary (in-kind) contributions of $100 or more must be reported in writing by the contributor to the recipient, if the recipient makes a written request.

Are lobbyists prohibited from making contributions to state candidates?

Not any longer. The California Supreme Court has invalidated that part of the Act that prohibited lobbyist contributions to state candidates. The lobbyist must, however, report contributions of $100 or more (both

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personal and contributions of others) delivered personally by the lobbyist to state candidates or their committees. Lobbyists may also contribute to candidates in local and federal elections and to ballot-measure campaigns, but need not disclose such contributions on their lobbyist reports.

What identification is required on campaign literature?

All mass mailings (200 or more pieces of identical material) must show on the envelope and at least one insert piece the sender's name and address in a six-point type or larger. If the sender of the mass mailing is a single candidate or committee, the information need only be shown on the outside of each piece of mail. If the sender is a controlled committee, the name of the person controlling the committee must be included. A sponsored committee sending a mass mailing must identify its sponsor and, if multiple sponsors are members of an industry or other identifiable group, a term identifying that industry or group. A post office box is permitted if the committee's street address is a matter of public record with the Secretary of State. The sender is whoever pays for the largest portion of expenditures attributable to the designing, printing and posting of the mass mailing.

Can a contribution to a public official's campaign ever require that public official to disqualify himself or herself from participating in a governmental decision affecting the person who made the contribution?

Yes. Members of certain state and local agencies are prohibited from participating in a governmental decision involving a license, permit or other entitlement for use if the applicant (or his agent) in the proceeding contributed $250 or more to the public official in the preceding twelve months. The judicial branch of government and local governmental agencies whose members are directly elected by the voters are exempt from this prohibition unless they serve as voting members of another agency to which they were not elected and which has other appointed members also serving.

Are there limitations on what a person may contribute to a candidate or ballot measure campaign?

California law imposes no restrictions on how much any one person or organization may contribute to a political campaign at the state or local level. Unlike federal law, corporations and labor unions are not prohibited by state law from contributing to state or local campaigns. (See federal restrictions below.) Nor are candidates limited in what they may contribute to their campaigns. However, some local jurisdictions have restricted the amount persons, corporations and unions may contribute in local candidate elections. (See box on page 10). Ballot-measure contribution limitations were declared unconstitutional by the United States Supreme Court in December 1981.

Does California law restrict expenditures by campaigns?

There is no limitation on expenditures in a campaign, except that campaign and political action committee funds may not be spent for personal use. Disposition of surplus funds when a committee terminates is limited to specific non-personal uses.

Does federal law apply to California state or local candidate contributions?

Normally not, except that federal law prohibits a foreign

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national, foreign corporation, United States national bank, federal government contractor or federally-established corporation, such as a federal savings and loan association, from making any contributions to state or local candidates.

MISCELLANEOUS

Must candidates and committees be concerned with tax considerations?

Yes. Income tax must be paid on interest, dividends and capital gains of more than $100 per year earned by a campaign. Internal Revenue Service and California Franchise Tax Board Regulations must also be followed by contributors to take the tax credit permitted under federal law and the deduction allowed under California law.

Will campaigns be audited?

Yes. Candidates and/or committees may be randomly selected for audit by the Franchise Tax Board. Additionally, the Fair Political Practices Commission and/or the Franchise Tax Board may initiate a discretionary audit.

Audits and investigations must be made with respect to the reports and statements of:

- Each statewide, Supreme Court, court of appeal, or Board of Equalization candidate in a direct primary or general election for whom it is determined that $25,000 or more in contributions or expenditures has been raised or made, whether by the candidate or by committees controlled by the candidate. Each statewide candidate whose contributions and expenditures are below $25,000 shall be subject to audit on a 10-percent random basis.
- Each candidate for the Legislature or superior court judge in a direct primary or general election shall be subject to audit by random selection if it is determined $15,000 or more in contributions or expenditures has been received or made, whether by the candidate or by committees controlled by the candidate. Random selection shall be 50 percent each of the Senate and Assembly districts and judicial offices contested in an election year.
- Each candidate in a special primary or legislative runoff election for whom it is determined that $15,000 or more in contributions or expenditures has been received or made, whether by the candidate or committees controlled by the candidate.
- Each controlled committee of any above-described candidate who is being audited.
- Each committee (other than Major Donor) primarily supporting or opposing an above-described candidate being audited, if the committee spent more than $10,000.
- Each committee (other than Major Donor) whose participation is primarily in support of or opposition to a state measure, if the committee spent more than $10,000.
- Each committee (other than Major Donor or those primarily supporting or opposing a candidate or measure) shall be subject to audit if the committee raised or spent more than $10,000 in a calendar year supporting or opposing candidates or measures. If the audit determines that the committee is in substantial compliance, the committee is thereafter subject to random audit selection of 25 percent of such committees.

Must candidates disclose certain personal financial activities?

Yes. California law requires financial disclosure of investments and real estate by candidates. State and local elected officials filing the annual Statement of Economic Interest must disclose income, loans, gifts, investments, real estate and business positions held.

Are campaign laws at other levels of government applicable?

Yes. In addition to federal law (see below), many California local governments have enacted comprehensive campaign ordinances which add regulations beyond the Political Reform Act. The local ordinances should not be overlooked. (See below.)

LOCAL CAMPAIGN ORDINANCES

A local government may adopt additional campaign ordinances so long as they further the purposes of the Political Reform Act and do not conflict with any of its provisions. The ordinances that have been enacted by cities and counties to date vary from jurisdiction to jurisdiction. Many cities and counties prohibit certain entities from contributing to campaigns, limit the amount that may be contributed to campaigns by businesses, political action committees and individuals, require lower levels of itemization of campaign contributors, limit extensions of credit to campaigns, require additional campaign statements to be filed before local elections, impose separate penalties for violations of local ordinances, or require lists of campaign contributors to be published in newspapers.

Cities and counties that have adopted campaign ordinances as of January 1, 1986 include:

Adelanto
Berkeley
Chico
Concord
Contra Costa County
Coronado
Culver City
Davis
Del Mar
Dublin
Escondido
Fountain Valley
Fremont
Fresno
Fresno County
Gardena
Gilroy
Grand Terrace
Huntington Beach
Irvine
Livermore
Los Angeles (city)
Newport Beach
Orange County
Palo Alto
Pasadena
Poway
Rancho Mirage
Rialto
Roseville
Sacramento
San Diego
San Diego County
San Francisco
San Jose
San Juan Capistrano
San Luis Obispo
San Marcos
San Mateo County
Santa Cruz County
Santa Monica
Sonoma County
South San Francisco
Walnut Creek
Westminster
West Covina

Because additional cities and counties may have enacted campaign ordinances or these cities and counties may have amended their ordinances after this publication was printed, the clerk of the city or county should be contacted to determine if there are additional campaign requirements and to obtain a copy of the ordinances. Local ordinance information can be obtained by calling the Fair Political Practices Commission at (916) 322-5662.

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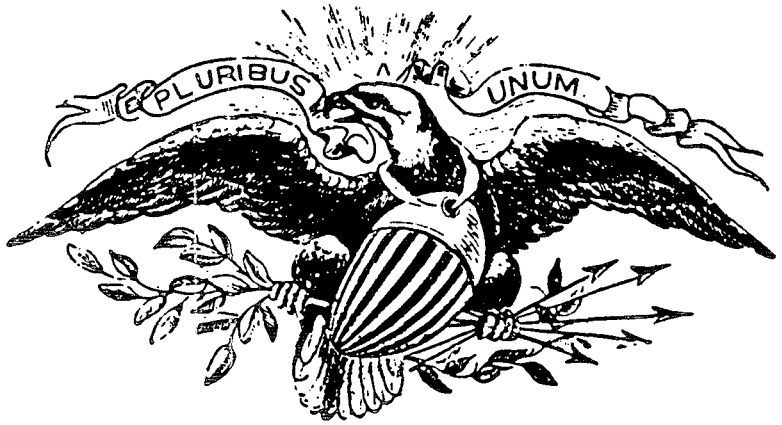
FEDERAL LAW

(United States Code, Title 2, Sections 431-455)



What is the basic purpose of the Federal Election Campaign Act?

The federal law requires candidates, political committees and, in some instances, individuals to keep full and accurate records of political financial transactions and to file periodic public reports disclosing these transactions. The law also sets limits on the amount of money individuals and groups may contribute to federal candidates. It further provides public financing for qualifying presidential campaigns.

Who administers the Federal Election Campaign Act?

The Federal Election Campaign Act is administered by the Federal Election Commission (FEC), 999 E Street, N.W., Washington, D.C. 20463. In addition, the Clerk of the House of Representatives and the Secretary of the Senate, Washington, D.C. 20510, have filing-officer responsibilities.

WHO MUST FILE

Who must file campaign statements under federal law?

Only candidates seeking nomination or election to federal office (President, Vice-President, United States Senate and House of Representatives), political committees supporting those candidates, and certain private groups involved in federal elections (business, union, trade association, political-action committees and issue committees) are governed by the filing requirements of the Federal Election Campaign Act.

Are candidates for state or local office and their committees required to file federal campaign statements?

No.

What constitutes an "election" under federal law?

The term "election" includes not only general, primary, special and runoff elections, but also conventions, caucuses and preference primaries.

Who is a federal candidate?

An individual who seeks nomination or election to a federal office and has received contributions or made expenditures in excess of $5,000, or has consented to that level of campaign activity on the individual's behalf, is considered a candidate. Thus, even if a candidate appears on the ballot, he or she need not register or report until the dollar threshold is met. However, once financial activity reaches the $5,000 figure, all prior contributions and expenditures become subject to the reporting requirements and limitations of the Act.

Are federal candidates required to designate campaign committees for reporting purposes?

Yes. A candidate for federal office (other than a nominee for vice president) must designate and authorize a political committee as the "principal campaign committee" within 15 days after attaining candidate status. The candidate may also designate other committees, known as "authorized committees," to receive or make contributions. Candidates are considered to be agents of their authorized committees, and therefore must report all contributions and expenditures through their committees. The principal campaign committee and other authorized committees must include the name of the candidate in each committee's name. In addition, the principal campaign committee may not support more than one candidate (except that committees may conduct joint fund raising), although contributions of $1,000 or less by a candidate's authorized committees to other candidates are permitted.

What is a political committee?

Federal law defines three types of political committees:

1. Any committee, club, association or group of persons receiving contributions or making expenditures totaling more than $1,000 for federal elections in a calendar year (similar to California's Recipient Committee).
2. A Political Action Committee (PAC) (referred to under federal law as a *separate segregated fund*) established by a labor union, corporation, or trade or membership organization regardless of the level of contributions or expenditures.
3. Any local committee of a political party that receives contributions or makes "exempted" expenditures (buttons, bumper stickers, voter registration, get-out-the-vote and the like) totaling over $5,000 for federal elections during a calendar year, or that makes contributions to candidates or "non-exempt" expenditures over $1,000 for federal elections during a calendar year.

Federal law does not define as committees persons or groups which directly contribute money (California's Major Donor Committee) or which independently make expend-

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itures on behalf of a candidate (Independent Expenditure Committee in California). However, some persons making independent expenditures may still have to report. The FEC has further described several types of political committees, including:

1. **PRINCIPAL CAMPAIGN COMMITTEE** — a political committee designated by a candidate as his or her principal campaign committee.
2. **SINGLE CANDIDATE COMMITTEE** — a political committee other than a principal campaign committee that makes or receives contributions or makes expenditures on behalf of only one candidate.
3. **MULTI-CANDIDATE COMMITTEE** — a political committee which (i) has been registered for at least 6 months; (ii) has received contributions for use in federal elections from more than 50 persons; and (iii) (except for any state political party organization) has made contributions to 5 or more federal candidates.
4. **PARTY COMMITTEE** — a political committee which represents a political party and is part of the official party structure at the national, state or local level.

In addition, the FEC has determined that all political committees are either authorized committees or unauthorized committees. An "authorized committee" is a political committee that is empowered in writing by a candidate to solicit or receive contributions or make expenditures on behalf of the candidate. A principal campaign committee is an authorized committee. An "unauthorized committee" is a political committee which has not been authorized in writing by a candidate to solicit or receive contributions or make expenditures on behalf of the candidate.

A separate segregated fund committee (Political Action Committee) must use the name of the connected or sponsoring organization in the name of the committee.

Must a political committee have a treasurer?

Yes. Contributions may not be received if a committee has no treasurer. Further, all expenditures must be authorized by the treasurer or appointed agents. The treasurer is responsible for keeping an account of all contributions and expenditures, and for the timely and accurate filing of reports. Personal funds may not be commingled with campaign funds. Contributions over $50 must be forwarded to the treasurer or agent within 10 days of receipt, along with the contributor's name and address. A committee needs no other officer under federal law but may designate others, including an assistant treasurer.

Must political committees register?

Yes. All authorized committees must register within 10 days after designation by a candidate. PACs must register within 10 days of establishment. All other committees must register within 10 days of qualification as a political committee. A committee registers by filing a Statement of Organization. A PAC Committee must include the full name of its connected organization, but may use a clearly recognized abbreviation or acronym. The name of each authorized committee must include the name of the authorizing candidate.

Political committees supporting only House candidates and a House candidate's authorized committees, including the principal campaign committee, register with the Clerk of the House. Political committees supporting only Senate candidates and a Senate candidate's authorized committees, including the principal campaign committee, register with the Secretary of the Senate. All other committees register with the FEC. Once a committee registers, it will be issued an identification number.

Must a person (other than a political committee) file a campaign statement with the Federal Election Commission?

If a person contributes to a federal candidate or to a political committee, that candidate or committee must report the contribution, and the person need not file a campaign statement.

Any individual, association, partnership or group which makes an independent expenditure (independent from a political committee or candidate) of more than $250 in a calendar year must file a campaign statement with the FEC. The statement contains information regarding the nature of the expenditure.

An expenditure is independent if it is for a communication expressly advocating the election or defeat of a federal candidate which is not made in cooperation or consultation with a candidate or an authorized committee of that candidate.

Note: A political committee may also make independent expenditures and, if it does so, must report these on a separate schedule of its campaign report.

WHAT MUST BE DISCLOSED

Are forms available for persons required to file?

Yes. Forms are available from the FEC, Clerk of the House and Secretary of the Senate.

FORM 1: **STATEMENT OF ORGANIZATION.** Used to register committees supporting federal candidates.

FORM 2: **STATEMENT OF CANDIDATE.** Once attaining federal candidate status, this form is used to authorize the principal campaign committee.

FORM 3: **REPORT OF RECEIPTS AND EXPENDITURES.** Used by political committees in reporting all financial transactions including contributions and expenditures. There are separate forms for presidential (Form 3P), authorized (Form 3) and all other political committees (Form 3X).

FORM 5: **REPORT OF INDEPENDENT EXPENDITURES OR CONTRIBUTIONS BY PERSONS.** The form used by every person (other than a political committee or candidate) who makes independent expenditures or contributions in an aggregate amount in excess of $250 within a calendar year.

FORM 7: **REPORT OF COMMUNICATION COSTS BY CORPORATIONS AND MEMBERSHIP ORGANIZATIONS.** This form is used by corporations, unions, and membership organizations to report costs of communicating with their stockholders and executive or administrative personnel or members in support of or opposition to a federal candidate if such costs exceed $2,000 per election.

What information is required to be reported by a political committee?

In summary form, the total of all contributions, expenditures and cash on hand.

By item, all transfers and contributions to and from other political committees or federal candidates regardless of the amount.

By item, all contributions from a person aggregating over $200 within a calendar year, including contributor's name, mailing address, occupation, employer, date of contribution and amount. (In addition, in-house records must be kept of all contributions over $50, including name, address and date of contribution.)

By item, all loans (including guarantors) and loan repayments, including date, name, address, occupation and

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employer, and amount, regardless of the amount.

By item, all rebates, refunds, dividends and interest over $200 within a calendar year, including name, address, date and amount.

By item, all expenditures for operating expenses over $200 during a calendar year, including the recipient's name, address, date and amount and purpose of expenditure.

The amount and nature of debts owed to or by the committee.

What constitutes a contribution under federal law?

Any gift, subscription, loan, advance or deposit of money, or anything of value, made for the purpose of influencing a federal election is a contribution. A "contribution in kind," such as the use of office space, machinery, equipment, or the help of individuals, donated by or paid for by a person other than the committee or candidate, is also a contribution.

How are non-monetary or in kind contributions treated?

Non-monetary contributions, such as lending an automobile, employee, typewriter or giving paper and stamps, are subject to the same prohibitions, limitations and reporting requirements as monetary contributions. Non-monetary contributions should be valued at their usual and normal charge.

Are loans always contributions?

A loan is generally a contribution to the extent that the obligation remains outstanding. However, a loan of money by a national or state bank made in the ordinary course of business is not a contribution (although it must still be reported). To be considered made in the ordinary course of business, the loan must be in writing, subject to a due date or amortization schedule and bear the usual interest rate.

Are there other exceptions to the definition of contributions?

Yes, these include voluntary personal services; unreimbursed travel expenses by campaign volunteers up to $1,000 per election; rental value of one's home; cost of invitations, food and beverages voluntarily provided at an individual's home up to $1,000 per election per donating family member, and legal and accounting services rendered for the purpose of complying with federal election laws.

Is a contribution to an individual before he declares as a candidate disclosable?

Funds received solely for the purpose of determining whether an individual should become a candidate ("testing the waters") are not contributions but cannot be funded except from sources that would be legal contributions under the Act. If the individual subsequently becomes a candidate, these funds are considered contributions and subject to the reporting requirements of the Act.

What do expenditures include?

Expenditures that must be reported include payments of money, transfer of funds to another political committee, repayment of loans, and written contracts to make expenditures.

What is "cumulative amount" under federal law?

"Cumulative amount" means the amount contributed or expended since January 1st of the present calendar year. Each calendar year is considered separate, and the only carry-over to a successive calendar year is the beginning cash balance.

If a contributor has already been listed in a previous report, and additional contributions of any amount are received from that contributor *within the same calendar* year, the contributor must be listed on the prescribed reporting forms, using the same name as previously reported and showing the new cumulative amounts.

WHERE TO FILE REPORTS

Where must campaign reports be filed?

Authorized committees of a candidate file reports with the candidate's principal campaign committee. The principal campaign committee then files a single report for that campaign. House candidates' principal campaign committees file an original with the Clerk of the House of Representatives, Washington, D.C. 20515. Senate candidates' principal campaign committees file an original with the Secretary of the Senate, Washington, D.C. 20510. All other committees file an original with the Federal Elections Commission, 999 E Street N.W., Washington, D.C. 20463, including multi-support committees and persons making independent expenditures. The Clerk of the House and the Secretary of the Senate immediately forward copies of all their reports to the FEC. In addition, a copy of all reports must be filed with the Secretary of State of each state in which the candidate seeks election. Records and reports are required to be kept for three years after filing.

How may reports be filed?

In all cases except for the pre-election report (12 days prior to an election), reports may be hand-delivered or sent by registered or certified mail and postmarked by the filing deadline. Pre-election reports must be hand-delivered 12 days before the election or postmarked not later than the 15th day before the election.

WHEN TO FILE STATEMENTS

How many reports must be filed in a federal election?

All contributions to and expenditures by candidates are reported by their principal committee (consolidated with all authorized committees). In election years, committees authorized by House and Senate candidates file quarterly reports (15 days following the close of the quarter), a pre-primary report (12 days prior, or 15 if by mail), a pre-general

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report (12 days prior, or 15 if by mail), and a post-general report (30 days after the election). In non-election years, authorized committees file semi-annual reports due July 31 and January 31.

Monthly filing is required in an election year for all authorized committees of a presidential candidate if the committees have received or anticipate receiving $100,000 or have spent or anticipate spending $100,000. All other presidential committees in election years are required to report quarterly. In non-election years, authorized committees of presidential candidates may elect to report either quarterly or monthly.

All other political committees may file monthly or, in election years, for every election in which they have spent funds they may file quarterly, pre-primary, pre-general and post-general election reports, and in non-election years, semi-annual reports.

REPORTING PERIODS FOR CONGRESSIONAL CANDIDATES AND THEIR CONTROLLED COMMITTEES AND POLITICAL COMMITTEES NOT FILING MONTHLY IN 1986 ELECTIONS IN CALIFORNIA

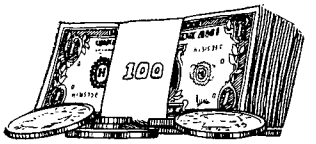
Period Covered	Filing Deadline
01/01/86-03/31/86	04/15/86
04/01/86-05/14/86	05/19/86*
05/15/86-06/30/86	07/15/86
07/01/86-09/30/86	10/15/86
10/01/86-10/15/86	10/20/86*
10/16/86-11/24/86	12/04/86
11/25/86-12/31/86	01/31/87

*By certified mail. Three days later, if delivered in person to the filing officials.

Must "last-minute contributions" be reported in a special manner?

Yes. Contributions of $1,000 or more received by a candidate or his or her authorized committee subsequent to the 20th day but more than 48 hours before an election must be reported by the candidate's principal campaign committee within 48 hours by hand- delivered letter or by telegram disclosing the contributor's name, occupation and employer, amount, date and office sought. Unlike California law, the donor of such contribution need not also file such a report.

Independent expenditures of $1,000 or more during the last 20 days must be reported within 24 hours.



PROHIBITIONS AND LIMITATIONS

Does federal law limit cash contributions?

Yes. No one may make a cash contribution to a federal candidate that totals more than $100.

Does federal law impose contribution limitations on individuals?

Yes. There is a $1,000 limit on the amount an individual may contribute to a single federal-office candidate's authorized committee (including the principal campaign committee) in the primary and $1,000 in the general

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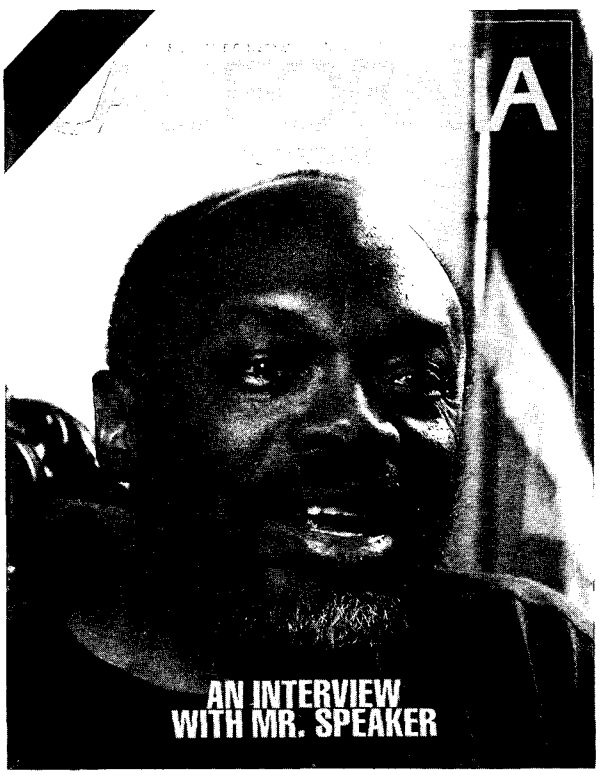

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election. (Each presidential primary is treated as a single election as are run-off and special elections.) However, each $1,000 contribution may be given at the same time if designated by the contributor for each separate election. There is a $5,000 limitation on contributions to any other political committee, except that the limit is raised to $20,000 for contributions to national party committees. Also, there is a $25,000 limit on the total amount an individual may contribute to all federal candidates and committees in a calendar year.

How do the contribution limitations apply to spouses?

Even though one person in a single-income family has contributed $1,000 to a candidate for an election, the other spouse may also contribute $1,000 to the same candidate for the same election.

What are the contribution limitations imposed on political committees?

The limitations are the same as for individuals. However, multicandidate committees (defined above) may contribute up to $5,000 to a federal candidate for each single election.

Are campaign expenditure limitations imposed by federal law?

No. As originally adopted the law did limit campaign expenditures. However, the United States Supreme Court in *Buckley v. Valeo* held that such expenditure ceilings impose "direct and substantial restraints on the quantity of political speech" and as a result violate the First Amendment to the United States Constitution. But presidential candidates who accept public funding for either the pre-nomination or the general-election campaign must abide by the spending limits found in the Act.

Are there personal-contribution limitations imposed on the candidate?

No. Spending money by a candidate in his or her own campaign has been defined as an expenditure by the candidate, not a contribution. Thus, candidates (except for presidential candidates using public financing) may spend unlimited amounts of personal funds. (Note: The FEC has complex regulations defining personal funds.)

Does federal law impose limitations on the total amount persons or committees may spend independently but on behalf of federal candidates?

No. Because of the United States Supreme Court's *Buckley* decision there is no limitation on a truly independent expenditure made on behalf of a federal candidate. Thus, there are no limits on what a person or committee may spend, for example, for direct purchase of newspaper ads to influence an election, if done independently of the candidate. (See above for reporting of independent expenditures by persons.) In 1985, the United States Supreme Court ruled that independent expenditures in presidential campaigns in which the candidate had accepted public funding could not be limited.

Can corporations or labor organizations make contributions or expenditures on behalf of federal candidates?

No, but corporations and labor organizations are permitted to establish separate political funds (commonly called PACs) if the donations are voluntary. However, certain political expenditures are allowed. For example, funds may be spent for communication by a corporation to its stockholders or a union to its members on any subject, and non-partisan registration and get-out-the-vote efforts aimed at stockholders or union members are permitted.

Costs of communications expressly advocating the election or defeat of a candidate must be reported if over $2,000 per election.

What other restrictions are applicable?

Contributions to federal, state or local candidate campaigns by national banks, government contractors and foreign nationals who are not lawfully admitted for permanent residence in the United States are all prohibited, as are anonymous contributions of $50 or more.

Is campaign literature for a federal office required to contain certain information?

Yes. All literature and advertisements soliciting contributions and all communications advocating the election or defeat of a federal candidate must identify the person or committee which paid for the solicitation or communication. If the solicitation or communication is not authorized by the candidate or his/her committee, it must so state.

What use can be made of excess campaign funds?

Excess campaign funds may not be used by any person for any personal use other than to defray any ordinary and necessary expenses incurred in connection with his or her duties as a holder of federal office, or to repay to a candidate any loan the proceeds of which were used in connection with his or her campaign.

Does the Federal Elections Act place a limit on the amount of honoraria elected federal officials may receive?

Yes. Acceptance of honoraria for individual speeches, appearances or articles in excess of $2,000 is prohibited.

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MISCELLANEOUS

Does the federal law require candidates and officeholders to disclose publicly their personal finances under financial disclosure provisions?

Yes. United States senators and members of the House of Representatives and candidates for these offices are required to file financial disclosure statements with the Clerk of the House of Representatives and the Secretary of the Senate, respectively. These reports must also be forwarded to the Secretary of State of the state which the individual represents and made available for public review.

Must federal candidates and political committees be concerned with tax considerations?

Yes. Any income over $100 per year (interest, dividends, sale of assets, etc.) earned from contributions is subject to payment of income taxes by the candidate, officeholder or committee. Also, certain Internal Revenue Service and California Franchise Tax Board rules must be followed to allow contributors to take the tax credit permitted under federal law or the deduction allowed under California law.

SOURCES OF DETAILED INFORMATION

STATE

FAIR POLITICAL PRACTICES COMMISSION, 428 J Street, Suite 800, P.O. Box 807, Sacramento, CA 95804-0807. (916) 322-5662

REGULATIONS: CALIFORNIA ADMINISTRATIVE CODE, TITLE 2, DIVISION 6. Department of General Services, Publications Section, P.O. Box 1015, North Highlands, CA 95660. (415) 924-4800

CONTINUING EDUCATION OF THE BAR, 2300 Shattuck Avenue, Berkeley 94704. (415) 642-3973. Official reporter of Fair Political Practices Commission opinions and publisher of "The Law of Politics" book.

THE CORPORATION IN POLITICS, PACS, LOBBYING LAWS AND PUBLIC OFFICIALS, by Vigo G. (Chip) Nielsen, Jr. and Thomas J. Schwartz (outline manual); Practising Law Institute, 810 Seventh Avenue, New York, NY 10019.

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THE CORPORATION IN POLITICS, PACS, LOBBYING LAWS AND PUBLIC OFFICIALS, by Vigo G. (Chip) Nielsen, Jr. and Thomas J. Schwartz (outline manual); Practising Law Institute, 810 Seventh Avenue, New York, NY 10019.

CAMPAIGN PRACTICES REPORTS (manual and monthly newsletter), 1412 22nd Street N.W., Washington, D.C. 20037. (202) 887-8575

FEDERAL REGULATION OF CAMPAIGN FINANCE AND POLITICAL ACTIVITY, by Thomas J. Schwartz and Alan G. Straus (manual), Matthew Bender & Company, 1275 Broadway, Albany, NY 12201. (518) 462-3331

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5 = Enter and edit cash disbursements
6 = Occupation code file maintenance
7 = Display total pledged and paid
8 = Year end processing
9 = Word processing/direct mail Federal/California Reports
10 = CFS utilities

REPORTS MENU

1 = Contributor list — alpha
2 = Contributor master list
3 = Vendor master list
4 = Receipt transaction list
5 = Disbursement transaction list
6 = Mailing labels
7 = Pledges
8 = Itemized receipts
9 = Itemized disbursements
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11 = Contributions by state/county
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ability to solve many problems and see the result of your intervention in helping solve those problems is what's enjoyable. That's probably one of the reasons why I choose to stay here."

The DMV analyzes about 200 bills a year, and Bleier must watch dozens of others that may have a less-significant impact on the department or the millions of drivers and vehicle owners it regulates.

The job requires "honesty and integrity, and a reputation for that. I don't think one can survive here when that becomes impaired. I also think it is essential to offer instant availability to members and staff."

— Steven Capps

Donald Kent Brown

The latest financial reports may show Donald Kent Brown's lobbying firm second in overall earnings, but it is unequaled in a category of much more significance to California politicians.

The clients represented by Brown and his Advocation Inc. are among the biggest special-interest campaign contributors in the state. During the 1984 general election his clients contributed $704,283 to candidates and ballot-measure campaigns, according to the Fair Political Practices Commission.

In contrast, the clients of A-K Associates, which finished ahead of Brown in total income for the first half of the year, gave a mere $174,200. So while Brown is generally regarded as a personable — if hard-sell — lobbyist, much of his clout comes from his ability to direct massive amounts of campaign funds to those he supports.

The size of the campaign pockets Brown commands engenders envy and respect on the part of fellow lobbyists.

Respondents to the *California Journal* survey on lobbyists ranked Brown high on the list of most-effective lobbyists, in third position as most-effective contract lobbyist and only one vote out of second for most-effective overall. But those same respondents also voted him as the most overrated lobbyist, and by a substantial margin.

The enigmatic Brown only laughed when told of the survey results, and he refused to comment on them. "How do you judge something like that? I just find it interesting," is all he would say. In fact, Brown makes it a policy not to talk to the press. He said he has a clause in a contract with one of his clients that prevents him from making press statements.

Several years ago Brown legally changed his name so the "o" in his last name would be capitalized (BrOwn) because he complained of being mistaken for another man of the same name.

Brown, who worked for Howard Hughes before Hughes' death and and still employed by Summa Corporation and other Hughes subsidiaries, is something of a recluse in a business that seldom affords personal lives. In a rare interview four years ago, Brown portrayed himself as a quiet family man, a father of three who would rather spend an evening at home than socialize with his associates or the legislators he does business with.

Commenting on the passage of the 1974 Political Reform Act, Brown told a reporter that the new restrictions on lobbyist activities and disclosure reports would make it difficult to even chat with a legislator in a restaurant "without someone thinking you might be picking up the tab."

"With all the pressure of the new rules, the lobbyist's job has changed dramatically," he said. "It's taken all the fun out of it."

But not the profitability. Brown's first reporting for 1986 showed his firm earning almost $500,000 in the first half of 1985, and Brown's personal income runs about $240,000 per year, according to financial reports.

Born in Southern California to a poor family that had migrated from Oklahoma, Brown now counts some of the state's most powerful figures as his friends, among them Assembly Speaker Willie Brown, a San Francisco Democrat.

Brown has combined with a number of lobbyists at various times, including former Teamster lobbyist C. W. "Nick" Medeiros, former San Francisco Deputy Mayor Bernard Teitelbaum, Janet King and most recently former Democratic Assemblyman Bruce Young.

In fact, one Brown critic who asked not to be quoted by name, said it was his associates who performed the major share of the lobbying work, leaving to Brown the task of reminding lawmakers of the ample campaign contributions he influences.

In a rare moment in 1984 one of Brown's clients acknowledged the importance of such an ability. It was during a heated and well-financed legislative battle over a bill to allow eyewear franchises to operate in the state. The measure was being pushed by Pearle Health Services of Texas, which retained Brown's firm. Pearle's vice president, Terry Latanich, said an important consideration in choosing Brown as one of its representatives was his stature as a fund raiser.

"His clients are the biggest givers," Latanich said in an interview with the *California Journal*.

— Steven Capps

George Soares

Sacramento politicians live in a clubby world. The issues may change from year to year but many of the faces remain the same. Elected officials become lobbyists. Legislative staff enter private industry and find employers who pay handsomely for access to their former bosses. Occasionally, it works the other way, and lobbyists become staff members. Entire careers are based on "who you know" and presumably can influence.

Occasionally, the closeness greases the system. Each player already knows the other's reputation and abilities. Red tape can be cut.

But sometimes, it causes problems.

As chief consultant to the Assembly Agriculture Committee for seven years, George Soares became an expert on farm laws before entering the private sector as a lawyer-lobbyist in 1978.

Thus Soares seemed a logical choice when California vintners and wine grape growers hired him as their legal counsel in 1984. They wanted quick approval from the state Food and Agriculture Department to establish a controversial, industry-funded commission to promote California-made wines. Soares was the experienced power broker who knew how to get it done.

In Soares, the wine industry not only got a lawyer who knew marketing commission statutes inside and out, but it also got a lobbyist with considerable — critics call it ethically questionable — influence inside the Food and Agriculture Department.

First, as a lobbyist he represents nearly every sector of agriculture — from growers and crop-duster owners to food processors and chemical manufacturers. Second, he is a partner in a law firm that has a $380,000 state contract to represent Food and Agriculture in an important pesticide lawsuit. Finally, he is a partner with Food and Agriculture Chief Deputy Director George Gomes and several others in a group proposing a multimillion-dollar land sale to the state.

Critics say Soares may have unfair access to, and advan-

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tage with, top Food and Agriculture officials. Some farm and environmental officials maintain the department is in danger of compromising itself on issues lobbied by Soares.

Gerald Meral, a lobbyist for the Planning and Conservation League, said Soares' legal-services contract "puts the department in a different position" because Soares lobbies the department on a variety of controversial issues, particularly pesticides. "Certainly his clients are advantaged," Meral said.

A farm official who asked not to be identified said, "They have to do the best they can to make sure the public has

George Soares

Sue Brock

confidence in the department. This doesn't help."

Food and Agriculture Director Clare Berryhill acknowledges there may be a "perception" of a conflict of interest, but he denies there has been anything illegal or improper in the department's relationship with Soares. "Anybody who represents an agricultural interest has entrée into our department. We're an open door," Berryhill said. "I'm not a pigeon for anybody. I do what I think is right."

Soares: no conflict

Soares maintains there is "not even a little bit" of a conflict. "It's impossible for me to deal with people's perceptions. It's like dealing with smoke," Soares says. "When the department's constituency and my constituency have a similar point of view, then we agree and we work together. When they don't, we agree to disagree."

A grape grower, Berryhill had delegated authority over the wine industry's 1984 request for a marketing commission to Gomes because he believed he faced a conflict of interest. What few people knew then — even Berryhill did not know it at the time — was that Soares and Gomes were long-time friends from their college days at Cal Poly San Luis Obispo as well as business partners in a group which purchased Humboldt County coastal property for $2 million and is now trying to sell the land to the state Wildlife Conservation Board.

Soares' wine-industry clients got the green light they were seeking when Gomes accepted a staff recommendation and ordered an industry vote on a wine marketing order. Michael Franchetti, former finance director under Governor George Deukmejian, was hired by distillers and importers of foreign wines to oppose the marketing commission. Franchetti said he had no idea Soares and Gomes were business partners, though he had heard Soares law firm "did legal work" for the department.

"I find it very interesting," Franchetti said of the Soares-Gomes business connection. "Certainly the Wine Institute and grape growers retained the right lawyer (in Soares)."

Berryhill said it is "bullshit" to suggest Gomes favored Soares' clients because of any friendship or private business relationship.

"I think George (Gomes) is the most objective man I know in my life," Berryhill said. "The press finds every God-damned way to discredit the people who work in government."

Gomes: no problem

Gomes said, "I don't have any problem separating my personal feelings for my friends with professional duties in this job." Gomes, however said he will, in the future, seek the advice of counsel as to whether he should remove himself from future issues before the department that are being lobbied by Soares.

Soares' firm could receive as much as $380,000 from Food and Agriculture through June 30, 1985, to assist the state attorney general's office in a lawsuit filed back in 1979. The suit was filed by rancher George Neary who charged that hundreds of his cattle died in December 1978, when the department sprayed the now-banned pesticide *toxaphene* on cattle to fight scabies mites.

The case is crucial to Food and Agriculture's eradication programs because it will determine whether state officials can be held liable for actions they take based on the best scientific evidence available. The suit is pending in U.S. District Court in Fresno.

The attorney general's office, on the advice of Food and Agriculture, gave the legal-services contract to Soares' firm on July 14, 1983, to assist it in the litigation. The contract has been extended twice.

Most of the work on the Neary case is being handled in the firm by Leonard Herr in the Hanford office, but Soares, as a partner in the firm, will share in the profits. Paid on an hourly rate, the firm has received about half of the $380,000.

Deputy Attorney General Jim Wernicke said the Neary case is so complicated and time-consuming that additional, outside counsel was needed. Berryhill said Soares' firm was selected by his former chief deputy, Jack Parnell, because of the firm's experience in legal issues affecting agriculture.

"(Parnell) was looking for the best legal advice we could get," Berryhill said. "He picked (Soares' firm) on the merits, not because of Soares."

But Meral of the Planning and Conservation League says, "There must have been another lawyer out there somewhere the department could have hired. It doesn't seem right."

— Bruce Scheidt

Sue Brock

For Sue Brock, child's play is serious business. Brock represents the California Children's Lobby before the Legislature.

With more and more families having both parents in the workforce, Brock scored a major success in the 1985 Legislature with enactment of a $100 million "latchkey program" similar to one which had been vetoed a year earlier by Republican Governor George Deukmejian. The program, which won the governor's approval when it became tied to a new statewide workfare program for welfare recipients, provides extended supervision for children after school hours. Brock hammered in the fact that one out of three California school students between the ages of eight and 13 is a latchkey child.

"She very adroitly capitalized on the GAIN (workfare) bill which already had child-care money in it for welfare recipients who participate in the job-training program," said Democratic Assemblyman Art Agnos of San Francisco, who co-authored the workfare bill. "She has to out-work, out-think, out-hustle the more traditionally well-financed lobbyists."

Bristling at earlier rejection of the latchkey bill authored by Senate President Pro Tempore David Roberti, a Los An-

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geles Democrat, Brock vowed to continue fighting for the program.

During last-minute negotiations on the workfare bill, Brock was able to successfully weave her latchkey program into the proposal. She worked with Roberti to send a clear message that the workfare bill sought by Deukmejian would not pass the Senate unless the Republican administration agreed to finance the after-school program.

Another major success for Brock and the Children's Lobby came with enactment of a bill requiring young children weighing less than 40 pounds to be strapped into approved child safety seats.

"She's a heavyweight in a business or environment of well-heeled political action committees," Agnos said. "She's the epitome of the 'white hat' lobbyist — the non-profit, low-financed lobbyist who has been overpaid in psychic rewards and underpaid in monetary rewards. Through the force of her talent she has become someone who can match the political firepower of the Judge Garibaldi's and Donald Brown's."

Brock has been the legislative advocate for the California Children's Lobby since 1981. But she has been involved with the group since it was started in 1971 after the White House Conference on Children pointed out the lack of a voice for child care. Brock had been the only paid staff at the Children's Lobby, with her salary at about $26,000 a year.

Also since 1971 Brock has been a consultant to the Center for Children's Services, where she helped community groups establish child-care services, immunization programs and improved care for abused or neglected children. Her success was attributed by lawmakers to her wealth of information on the issue and being "politically astute."

"She knows how to answer questions, respond to legislators and she knows how they think and what buttons to push without having the advantage of the large political action committees," Agnos said.

One of Brock's alternatives to influential campaign contributions has been annual conventions in Sacramento which have drawn thousands of advocates for improved child care. Legislators are invited to attend and many do.

"It creates an illusion that an army of people are interested in the issues Sue is talking about and shows a good network," Agnos said.

Brock's interest in child-care issues was evident while a student at the University of California, Berkeley, where she received a degree in sociology with honors in 1971. At college Brock was a representative on the Berkeley Child Care Development Council and helped to publish a monthly newsletter on child-development legislation, funding and regulations for college campuses and groups nationwide.

"In my field, which is child care and development, we have expanded services 16-fold in terms of the state's commitment to child care and infant programs for low-income families," she said recently in a newspaper interview. "Part of the reason is that — at least in California — we have developed a highly sophisticated network of people who really care about these issues. They contact their legislators, write letters, make phone calls."

While there now is an advocacy for children where there once was none or very little, more needs to be done in Brock's view. She noted that California is considered a leader in child-care benefits, although only one out of three children receives needed benefits.

— *Sandra Michioku*

The profiles in this section were written by Steven Capps of the San Francisco Examiner, *Sandra Michioku of United Press International and Bruce Scheidt of the* Bakersfield Californian. *The photos were taken by Greg Hubbard.*

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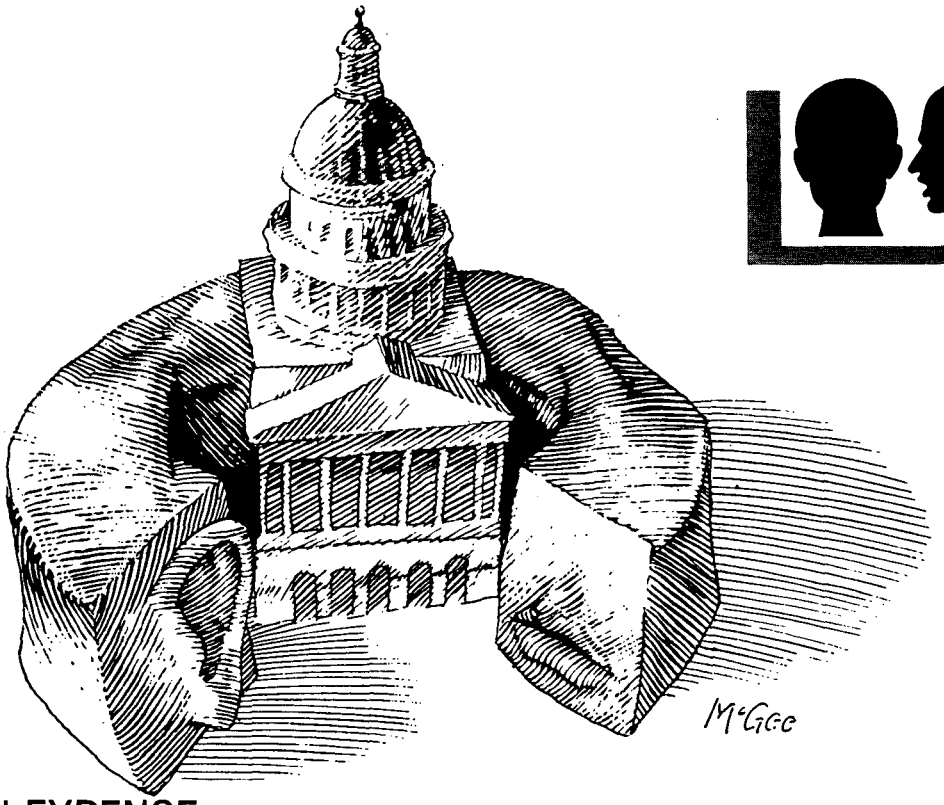

AN $11 MILLION EXPENSE

Government spends tax dollars to lobby — government

BY JENNIFER KERR

After the California Legislature adjourned for the year last September, Shasta County Sheriff Phil Eoff learned something that made him furious. A newly passed bill gave $2.9 million for marijuana eradication efforts to Trinity, Humboldt, Mendocino and Butte counties — but nothing to Shasta.

The bill, authored by Sen. Barry Keene, D-Benicia, had originally included only the pot-rich "Emerald Triangle" counties of Trinity, Humboldt and Mendocino, which are in Keene's district. But Butte County has its own lobbyist in Sacramento who pushed for that county's inclusion in the bill. Shasta County does not have a lobbyist.

One usually associates lobbyists with private businesses — the "special interests" that range from oil companies to labor unions. But government lobbying — one arm trying to influence another — is an $11 million-plus business in Sacramento.

Butte County (population 158,500) spent $15,000 for the first six months of 1985 to hire the Sacramento lobbying firm of Wagerman Associates and, in return, reaped a share of $2.9 million in state funds. Such are the benefits for even the tiniest of counties, cities, special districts and school districts of hiring someone to watch out for their interests in the state Capitol — and the perils, for Shasta County, of failing to do so.

An increasing number of local government agencies are hiring Sacramento lobbyists to monitor the state Legislature. According to the Fair Political Practices Commission, 101 local government and school entities paid a total of $3,912,496 to lobby the Legislature in 1980, including fees paid to lobbyists and "other payments to influence," such as meals or goodies given directly to lawmakers. But for the 1983-84 session, the FPPC says 182 entities spent $12,035,613 (or an average of $6,017,807 a year). At least another 16 entities have hired lobbyists during 1985.

State agencies also lobby the Legislature, despite the "separation of powers" doctrine. The extent of state agency lobbying is more difficult to determine, since state lobbyist-employees do not have to register with the secretary of state and do not have to file reports on expenditures (several unsuccessful bills have attempted to require registration of state agency lobbyists). There are, however, about 129 state officials, whose job includes dealing with the Legislature. Some of those officials, representing less-visible or non-controversial agencies, spend little time in the Capitol talking to lawmakers or attending hearings. Other agencies have staffs of several persons who do little else.

The salaries of these 129 state officials total about $5 million. While many of these people do not spend all their time lobbying the Legislature, the total does not reflect the salaries of other state officials, particularly department heads, who also spend time testifying on their budgets or on individual bills.

Why spend the money?

Why do government agencies, which frequently are scrambling for funds, spend some of their money to lobby a fellow government entity, the Legislature? They consider it an ab-

Jennifer Kerr is a reporter for the Associated Press in Sacramento.

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solute necessity, since most of the multi-billion-dollar state budget and most of the thousands of bills considered by lawmakers each year directly or indirectly affect the duties and funds of state and local agencies.

Larry Naake, executive director of the County Supervisors Association of California, estimates that half of the 6000 bills introduced in each two-year legislative session "in one way or another affect counties. We need to have a voice in whether or not those bills are passed." In addition, counties spend an estimated $14 billion a year, more than half of that

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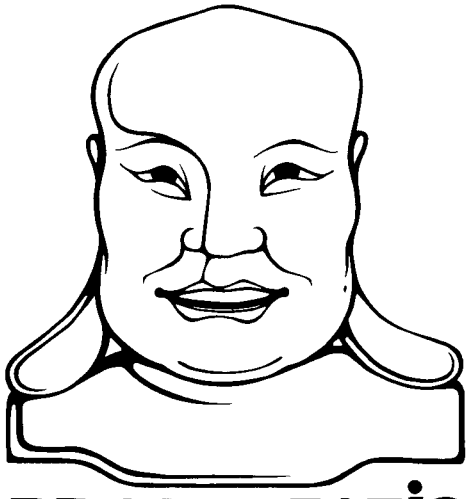

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coming through the state. "We've got to have some voice in determining how that money is allocated throughout the state."

"It's important to have a lobbyist to see that money is directed to schools in an appropriate manner," adds Cathi Davis of the California School Boards Association, "Our mission is very simple: There's a real diversity of sizes, needs and types of school districts. It would be impossible for a single state perspective to represent all communities. It's important to have a lobbyist in Sacramento to remind the legislators of that perspective because they can forget about the local level."

"There are lots of interest groups in this state who would like to minimize and reduce the power of local government to their benefit," says Kenneth Emanuels of the League of California Cities. "I think the Legislature needs us to resist that and maintain a balance between private perogatives and local government powers."

The phenomenon of government agencies lobbying the Legislature is hardly new. The growth in recent decades has paralleled the growth of the Legislature itself, from part time to full time in 1967 with the addition of professional consultants and the resultant increases in bills and budgets. Lobbying by local agencies has also increased since 1978 when the property tax cuts of Proposition 13 radically changed the relationship between the state and local schools, districts, cities and counties — centralizing more power in Sacramento.

One of the earliest local-government lobbying forces was the League of California Cities, founded in 1898. Richard "Bud" Carpenter, who lobbied for the League from 1939 until he retired in 1975, says the League "had somebody part time all that time (since the founding) representing the cities' interests in Sacramento." One early lobbyist was Louis Burke who joined the League in 1932 and later became a state Supreme Court justice. In 1939 the League had three full time people and one part time. Carpenter cautions that the League employees did not exclusively lobby but also dealt with member cities' needs. The staff remained at that level until 1948, when it was increased to five, he said. They currently have five lobbyists.

In 1939 the only individual agencies with lobbyists were cities such as Los Angeles, San Francisco and Oakland, or big local agencies such as Los Angeles' schools and the Metropolitan Water District, he said.

"Lobbying is considerably different now," he recalls. "In the early days, there was much more direct access to the people who did the voting. There were not a lot of consultants, administrative assistants and aides. They were far more dependent on lobbyists for information than they are now . . . I think it's much less personal now."

CSAC

The County Supervisors Association of California was founded in 1895 but did not have Sacramento staff until the 1940s, said Naake. It now employs six full-time lobbyists. The California School Boards Association was formed in 1933 and has had a full-time lobbyist "for at least 20 years," said Davis. It now has two.

Since government agency lobbyists, unlike private special interest lobbyists, don't have campaign contributions to offer, they must instead use information and back-home political pressure as their tools.

In the old days, says Emanuels, the skills of individual lobbyists were more important. "Our ability to muscle something over the opposition is much more dependent now on the political muscle of our members (cities). I've got to marshal city officials, train them to be politically effective and time our response. I can be very, very clever, but if our folks aren't out there screaming to the right members (legisla-

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tors), I don't get very far."

Naake notes that while in the 1960s, when he started as an intern at CSAC, there were maybe a dozen private lobbyists interested in a subject, now there are more than 700, "many on the other side of issues from us. We have to become more sophisticated. We have to produce more and better information. Information is one of the tools we have to influence legislators across the state. We have to use the press. We have to organize our supervisors to play a more active role."

CSAC represents 57 of the state's 58 counties; Orange County has been outside the group since 1984. Twenty years ago only a half-dozen of the largest counties had additional, individual lobbyists, says Naake. Now, about 45 are also represented either by individual contract lobbyists or through the Regional Council of Rural Counties.

In the 1980 FPPC report 10 counties reported paying a total of $777,649 for lobbying. Twenty-one cities paid $659,438 and 24 special districts (water, transportation, housing, parks) paid $443,228. Twelve local government groups listed lobbying that totaled $997,914. The largest were the League, with $342,189, and CSAC, with $227,318. Twenty-three school districts and county boards paid $674,056; three community college districts listed $51,169 and eight groups reported $309,042. The largest of the groups was the CSBA with $126,538.

By the 1983-84 report the number of entities hiring lobbyists had increased. Sixteen counties paid a two-year total of $2.7 million. Forty cities listed $2.3 million. Fifty-three special districts reported $1.7 million. There were 14 local government groups with a total of $1.7 million. The League spent $607,247; CSAC $162,693; and the Association of California Water Agencies $319,084. Some 36 school districts or county boards listed $2 million. Eight community college districts reported $521,096 and 15 education groups had $1 million. The CSBA listed $383,772.

The lobbying expenditures for 1983-84 ranged from the city of Los Angeles, which reported spending $729,390, down to the Pleasant Valley Recreation and Park District, which listed $400.

Contract lobbyists who handle many local government clients include A-K Associates; Capital Advocates; Carpenter, Zenovich & Associates; Joe Gonsalves & Son; Wagerman Associates; Michael Dillon & Associates; MJA & Associates; Peter Birdsall & Associates and School Services of California.

State agencies

The state agencies have a somewhat different relationship with the Legislature, especially for the annual state budget. The governor may make the formal presentation of his proposed budget to the Legislature each January, but it is the individual state agencies that make up the budget's details and then follow through during four months of intensive hearings before the Assembly and Senate budget subcommittees.

Governor Deukmejian, of course, would like all branches of his administration to speak with one voice. And the administration has made special efforts to make sure it does, including requiring high-level approval before a department can officially take a position on a bill. The central control has resulted in complaints by lawmakers, who say they sometimes do not receive adequate notice of the administration's position on a bill. In contrast, the administration of former Governor Jerry Brown was more casual and it was common to find two or more state departments with varying viewpoints.

But the intent is not always matched by the reality. The governor's Finance Department may want to rein in the budget of a particular department, but officials in the department itself may have different ideas. While overt rebellion

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is out of the question, many a state agency finds itself pleading not to be thrown into the "briar patch" with all that extra money.

The state agencies also deal with bills. Individual departments sponsor many bills, finding lawmakers to carry them. These can range from routine and non-controversial measures to clarify some obscure section of government code to major policy changes with huge pricetags. The departments must also be available to inform lawmakers on their positions on other bills that affect them.

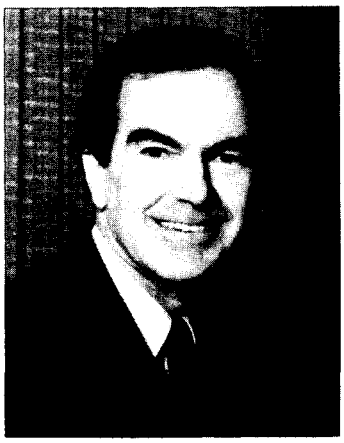
The governor has his own legislative staff, to lobby lawmakers on his official position on individual bills. Governor George Deukmejian's four-person staff is headed by Michael Frost and has generally kept a much lower profile than the legislative staff of Democratic Governor Jerry Brown. Brown's legislative staff included the colorful B. T. Collins and later Jim Neff and Terri Thomas, who formed their own private lobbying firm after Brown left office.

Many of the departments that frequently deal with the Legislature have separate lobbying divisions. The Employment Development Department has a "Legislative Liaison Office" with a budget of $275,169 this year. The Department of Social Services has an "Office of Legislation" with a budget of $186,904, but last year, during negotiations and hearings on the workfare bill, Director Linda McMahon and several of her top deputies did much of the lobbying. The Department of Motor Vehicles has a "Legislative Liaison Office" budgeted at $237,822, including two people who handle vehicle registrations for lawmakers in the special DMV office in the Capitol basement.

Naake says much of the work of a "pluralistic organization" providing many different public services is defensive, fighting off special-interest legislation.

"It seems to me that one of our strengths and one of our weaknesses is based on our members representing the citizens of the state, the taxpayers and the public. It's a weakness because in this day and age, a group that represents pluralistic interests is at a disadvantage compared to special-interest lobbyists involved in single issues."

The Duke's Advocate



Michael Frost

One lobbying operation in Sacramento is subject to at least as much persuasive pressure as it dishes out. According to Governor George Deukmejian's legislative affairs secretary Michael Frost, the administration's legislative unit is "lobbied much more than we lobby." At least part of the reason is Frost's unparalled access to the man who ultimately signs or vetoes bills under discussion.

Frost describes his role as management rather than advocacy. He and three deputies — Maureen Higgins, Allan Zaremberg and Bob Williams — examine legislation as it passes into and out of the administrative branch, and represent the governor's point of view in both directions.

State departments come to Frost for permission to sponsor or formally take positions on bills. The departments most often take the lead in lobbying legislators, rather than Frost's office, although Frost says he and his deputies have taken active roles on bills representing major issues in the governor's program, such as the workfare legislation.

According to Frost, Higgins and Zaremberg divide bills by subject matter and, with assistance from Williams and his encyclopedic knowledge of legislation, track them from introduction through chaptering or veto. They regularily discuss the status of bills with the governor so they can authoritatively state his opinion to lawmakers.

Frost meets weekly with Deukmejian and Chief of Staff Steve Merksamer to discuss legislation. He and the governor also attend weekly luncheons with legislative leaders, alternating between Democrats (Assembly Speaker Willie Brown and Senate President Pro Tempore David Roberti) and Republicans (Assembly Minority Leader Pat Nolan and Senate Minority Leader Jim Nielsen).

Nolan, who clashed with Frost while the legislative secretary was at the Department of Personnel Administration, says Frost has earned his respect. He described Frost as strong-willed and a quick learner, with "a political savvy I find remarkable." Nolan says he feels Frost considers the governor's policy objectives top priority: "I don't think he views it as his job to be friends" if the friendship might jeopardize the administration's legislative goals.

Although he is in frequent contact with the governor, to the extent of nearly hourly meetings during the mad rush at the end of the session, Frost doesn't feel he and his deputies have any special pull on lawmakers' ears. He adds, however, "We speak for the governor," which lends unique clout on some issues.

Both Nolan and Senate Rules Committee Executive Officer Cliff Berg said Frost accurately conveys information between the governor and the Legislature, because he knows when to consult the governor about on-going legislation. "Mike makes sure what he says is how the governor feels," said Berg. In contrast, Frost's predecessor in the legislative affairs office, Rod Blonien, had difficulties because he sometimes made commitments which ran counter to the governor's wishes.

Frost says the biggest problem he and his staff face is the tremendous backlog of legislation which habitually comes down on the governor during the last week of legislative sessions. It becomes virtually impossible for Frost's unit to keep up with the incoming bills, which leads to an inability on their part to fully inform the governor on every single piece of legislation which passes over his desk during those hectic days. Sometimes, Frost says, the governor will end up vetoing a bill which faced very little opposition in the Legislature, much to the consternation of the lawmakers who guided the bill through the legislative process. Explains Frost, "We'd rather veto a good bill than sign a bad one."

— Karin Petersen

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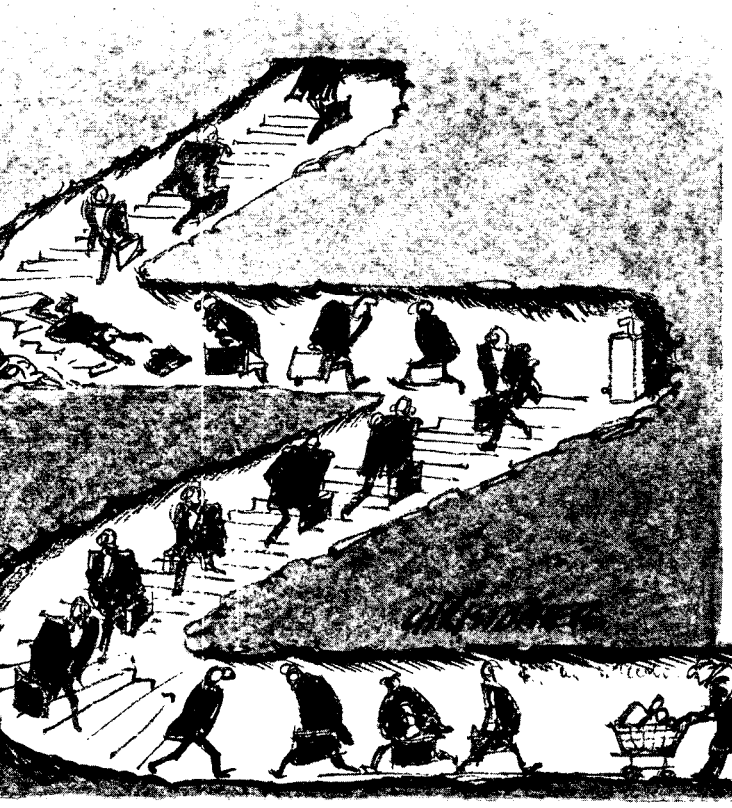

THE UNDERGROUND

LOOPHOLE ALLOWS UNREGISTERED LOBBYISTS TO THRIVE

By JOANNE R. CREAGER

An "underground" of workers is operating in the shadow of the Capitol. They are not impoverished, undocumented workers from Third World countries, laboring in dimly lit sweatshops. These workers are mostly well-dressed, sometimes well-paid, and frequently have a great time. They are unregistered lobbyists.

They never have the official title of "lobbyist." Instead they are known as "paid interns," "staff specialists," legislative, administrative or research "assistants" — or even "lobbyist apprentices."

Yet they frequently perform the same tasks as those full-time lobbyists who must report their activities to the secretary of state. But these workers are different because they do not file reports required by law for lobbyists.

Circumvention of the state's Political Reform Act is a democratic phenomenon, cutting across the invisible lines that separate the big-money, corporate lobbying firms and the small, "public interest lobbies." Of ten large contract-lobbying organizations, six agreed they utilize staff in "assistant" advocacy functions.

These individuals can avoid registering as lobbyists and filing state forms because of a grayness in state reporting laws and because the Fair Political Practices Commission, which enforces the law, finds it "unwieldy to monitor," according to Lynn Montgomery, FPPC media director. The commission has no program to actively seek unregistered lobbyists, but Montgomery says it will act on complaints, which most often come from registered lobbyists who resent the competition.

Continued on next page

Joanne R. Creager is a freelance writer from Sacramento.

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Most people understand what they mean by a lobbyist. It conjures images of polished, urbane hired guns, or the legendary Artie Samish, cigar-flourishing prototype. But state law contains a legal definition of lobbyist.

The Political Reform Act was woven like a fish net, with holes small enough to capture those making a living as lobbyists but letting free the "small fish" — individuals who may make only a rare contact with their government.

The law says a lobbyist is an individual or business entity paid to "communicate directly" with any state, agency or legislative official "for the purpose of influencing legislative or administrative action . . . and who engages in such activities on a substantial or regular basis." The FPPC says that anyone paid more than $5000 a quarter, or who makes at least 25 contacts with officials in two consecutive months, should be registered as a lobbyist.

It is difficult to estimate the extent of the use of unregistered lobbyists, and the FPPC has made no attempt to find out. One Senate staff member believes, at least judging from the people directly contacting and meeting with her boss, that there are almost no unregistered lobbyists around the Capitol. "Although, there may be some back in their offices."

Another, a former lobbyist herself, insisted that, aside from constituents, "no one ever gets in to see the senator" who is not a registered lobbyist. However, she added that she knows from her own experience that many firms do use unregistered lobbyists.

Six out of ten

On the other hand, one corporate lobbyist estimates that "as much as six out of ten big firms" are using unregistered lobbyists, a statistic confirmed by a survey of large firms. "I meet them at the Capitol or a legislative reception and go back to the office to look them up in the (lobbyist) directory, and they aren't there," she said. Competing against these lobbyists is unfair, she maintained, because they are unfettered by contribution limitations and disclosure requirements.

Another major abuser of the registration rule is the law firm. A number of California firms now practice in the legislative arena, serving clients with everything from legislative analyses to active advocacy. Some firms have one attorney, or a non-lawyer, on staff who is registered, but they never bother to register anyone else, even those working nearly full-time on legislative matters.

Lawyers have a lot of latitude in how they bill clients, giving them flexibility to decide that a larger portion of their work is "legal counsel" and a smaller portion actual lobbying. If they can make the lobbying portion small enough, they will not cross the FPPC threshhold requirements for reporting.

A legal assistant in one large Sacramento law firm, with offices in Los Angeles and Washington, says that while her firm keeps careful records, many others do not. "I know that many law firms are not as conscientious. This is a gray area of the law. Use of attorneys and staff to perform lobbying functions is widely done."

Ironically, though, it appears to be the many small public- interest associations — those working with dedication and very little money for the poor, prisoners and constitutional rights — that most often operate in the gray area.

Their failure to register may be due, at least in their own eyes, to a perceived irrelevance of the requirements. They see themselves as a separate breed from the "big money" lobbyists, which they believe are the ones the law really applies to.

Ignorance of the law is also possible. Some of these operations are very small and lack the sophistication of more professional operations.

In the past, organizations that have operated in the gray area included the American Civil Liberties Union, the California Catholic Conference, the Western Center on Law and Poverty, California Rural Legal Assistance and the Friends Committee on Legislation.

Unregistered lobbyists not only work the Legislature but the various state agencies, boards and commissions as well. Mary-Lou Smith, head of the Cal-OSHA Standards Board said that many of those appearing before her board are not registered. "There is really no way for the board to tell who should be registered, although probably some of the people we see should be and are not."

Although lobbyists frequently complain about the reporting requirements — particularly those that have required them to report their income and how much they spend trying to influence legislation — the basic act of registering is simple, requiring a payment of only $25.

And lobbyists — through their own lobbying efforts — have managed recently to make things a little simpler for themselves. They convinced the Legislature they don't need to do so much reporting, including removal of the requirement they report their individual salaries. From now on, only the lobbying firm will have to make this disclosure.

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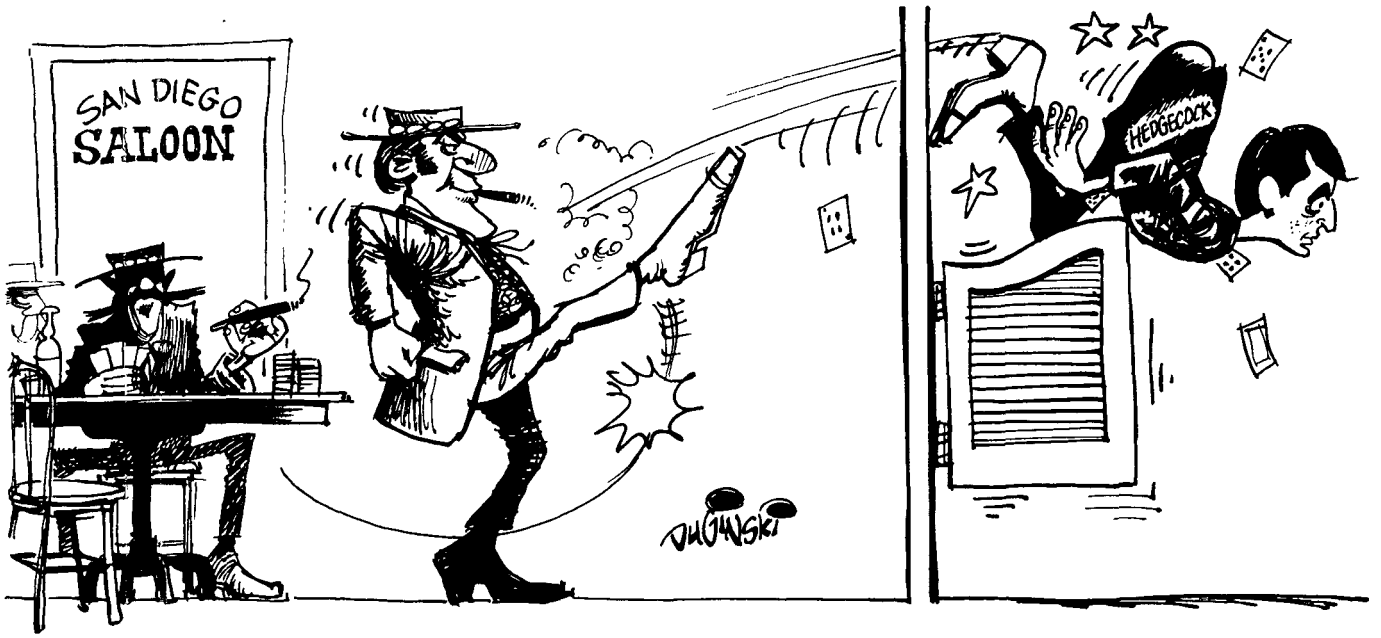

PETE WILSON'S SAN DIEGO LEGACY?

The rise and fall of Roger Hedgecock

By JAMES RICHARDSON

There was a time when a San Diego assemblyman could waltz back into town, spend less than $175,000, and get elected mayor. Pete Wilson did it in 1971. He spent $174,986, ensconcing himself as the most powerful political figure of his decade in San Diego.

No more. The nature of San Diego politics has changed — partly because of Wilson himself — making it unlikely that any new Pete Wilsons will emerge from the Legislature.

Those changes, some might argue, made the phenomenon of Roger Hedgecock — the San Diego mayor who resigned late last year after being convicted for conspiring to violate election laws and perjury for lying about it — all but inevitable. The charges against Hedgecock created two years of political turmoil in San Diego which have been only partly resolved with Hedgecock's conviction.

To understand the Hedgecock imbroglio, it might do well to recall the two-edged legacy Wilson left for San Diego politics.

Wilson's political success made the job of mayor desirable for someone as ambitious as Hedgecock. And the campaign reforms Wilson helped shove through made it all but impossible to win the mayor's office unless a politician was either rich, incredibly well organized, or, as in Hedgecock's case, unscrupulous.

Wilson proved San Diego was not necessarily a cul-de-sac in politics. All of a sudden, being mayor of San Diego became a very desirable job. By getting elected to the U.S. Senate in 1982, Wilson made San Diego politics a very expensive proposition.

Wilson was elected mayor on the heels of scandal. Then-Mayor Frank Curran was acquitted of accepting bribes from the Yellow Cab Co., but his trial left an atmosphere allowing Wilson to win as a reformer.

After Wilson was elected, he helped ram through what was then — and may still be — the toughest local election ordinance in the country. At the heart of the law is an absolute prohibition against accepting donations from corporations, labor unions and political action committees.

Further, the city limited donations from private individuals to $250.

Although San Diego politicians decry the "Los Angelization" of San Diego, they increasingly rely on expensive Los Angeles-style television advertising. San Diego-based political consultancy has grown from a cottage industry run mainly by Republican housewives to one run by full-service, sophisticated corporations.

It now costs upwards of a half-million dollars to get elected mayor, and politicians have to raise it in the toughest way possible — $250 increments from private individuals.

Those campaign limits strike at the very heart of fund raising for most legislators. Assembly members Larry Stirling, a Republican, and Lucy Killea, a Democrat, have toyed with running for mayor, but they are faced with what may be an insurmountable problem: They cannot practically transfer their legislative election warchests to a mayoral warchest. If Stirling and Killea are serious about being mayor, they might do better by getting elected to the city council from whence they both came, because Sacramento has become the cul-de-sac for ambitious San Diego politicians.

Those now scrambling to succeed Hedgecock include two millionaires: City Councilman Bill Cleator, a portly businessman who is almost always quotable; and former-City Council-

James Richardson is Capitol correspondent for The Riverside Press-Enterprise, *but covered local politics and Hedgecock's first trial for* The San Diego Union.

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woman Maureen O'Connor, the enigmatic and aloof wife of Jack-in-the-Box founder Robert Peterson.

The other candidates who are considered to have a serious shot are City Councilman Ed Struiksma, who became acting mayor after Hedgecock's departure because of his duties as the honorary deputy mayor; and former three-term Councilman Floyd Morrow, a lawyer who was indicted but cleared in the Yellow Cab scandal. Neither has private fortunes available. Struiksma and Cleator are Republicans; O'Connor and Morrow are Democrats (Morrow was once chairman of the county Democratic Central Committee). The job is non-partisan, but party affiliation definitely counts.

Both Cleator and O'Connor ran in 1983 to succeed Wilson. It is not quite a replay, though. This time there will be no Hedgecock.

Hedgecock was then an extremely ambitious, bright and, some would say, abrasive member of the county board of supervisors. He had graduated from the University of California, Santa Barbara and Hastings School of Law. He worked his way through as a rock concert promotor. During law school Hedgecock organized a demonstration and strike to protest the U.S. invasion of Cambodia.

Later, San Diegans were peculiarly proud that their mayor was a surfer, taking time out occasionally from city hall duties to hit the beach.

Before he was a county supervisor, Hedgecock had been city attorney for nearby Del Mar when Nancy Hoover and Tom Shepard were members of the Del Mar City Council. The pair, along with crooked financier J. David Dominelli, would later be accused as co-conspirators in Hedgecock's scheme to violate campaign laws. Their cases are pending.

Hedgecock campaigned harder than anyone in 1983. He went to more weddings and barbeques than any candidate. He made a point of attending a different neighborhood church every Sunday. He told reporters that there was no point to being in politics unless one got up earlier than the rest and went to bed later. Hedgecock was very articulate. He talked about managing growth and tending to the neighborhoods. He had the credentials, having once headed the local chapter of the Sierra Club.

Hedgecock built an organization. He talked of a "new coalition" — a loosely defined amalgam of minorities, environmentalists, yuppies, gays, Democrats and newcomers whom he said would beat the Republican establishment. Never mind that Hedgecock was a Republican, though a maverick to be sure.

But Hedgecock had a mean streak to him. His political opponents were enemies. He bore grudges and was rarely forgiving. As a county supervisor, Hedgecock endlessly badgered hapless public officials, like District Attorney Ed Miller, a Democrat who rode to office on the same reform wings as Wilson and was the other key politician behind the campaign reforms.

Hedgecock was very straightforward about his ambitions. He made little secret of his desire to follow Wilson to Washington and then, who knew where?

But to get to the first rung — mayor — Hedgecock foresaw that he had to overcome deep suspicion in his own party and the opposition of the Copley Newspapers, publishers of *The San Diego Union* and the afternoon *Tribune*.

Hedgecock was not the type to leave anything to chance. Especially money. Ever aware of his comparatively modest means, Hedgecock needed a way to neutralize the private fortunes of his opponents. He found a solution, prosecutors later contended, in Dominelli,

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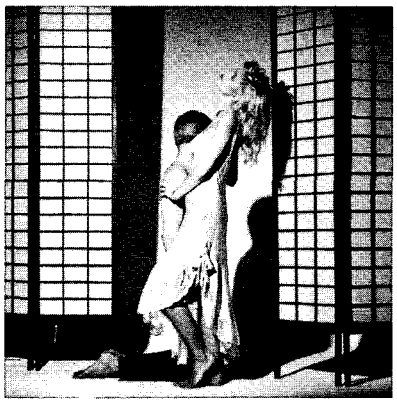

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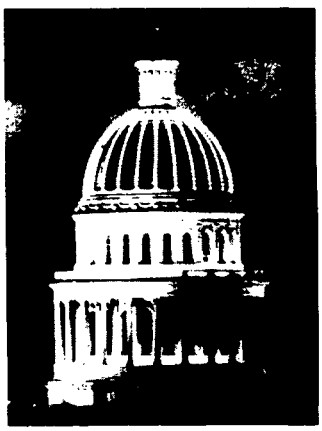

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then considered a wizard La Jolla investment broker.

The Dominelli factor

The Dominelli factor ranged from the petty to the formidable. Dominelli's girlfriend, Hoover, provided Hedgecock with a car telephone. Dominelli provided hard cash. None of it was reported on forms required by the city and the state Fair Political Practices Commission.

What Hedgecock did not count on was Dominelli going belly-up in February 1984. Unbeknownst to Hedgecock, Dominelli ran a sophisticated, hi-tech ponzi-scheme, bilking investors ranging from seniors living on fixed incomes to former Senate pro Tem Jim Mills. Dominelli is now serving a 20-year federal prison sentence. Some of the stolen money ended up in the service of the Hedgecock campaign. Hedgecock has never shown any remorse even for having been the unwitting beneficiary of other people's disasters.

Hedgecock won the election and enjoyed a honeymoon that seemed destined to propel him to a full term and possibly higher office. He quickly racked up formidable achievements, including voter approval for a new seaside convention center that had eluded Wilson. Hedgecock mended fences with the city's entrenched Republican establishment, including *The Union* and *The Tribune*.

The Union went so far as to publish glowing editorials about Hedgecock, calling him the city's newest bright star. The newspaper's editor, Gerald Warren, a member of the *California Journal* board of directors, sang Hedgecock's praises at private gatherings, predicting he would follow Wilson to greater political glory. Hedgecock, elected to fill the remaining year of Wilson's term, looked like a sure bet to win a full term of his own in 1984.

Black Sunday

Hedgecock's troubles began on a date prosecutors dubbed "Black Sunday" — February 12, 1984.

Dominelli's firm, J. David & Associates, was teetering on the verge of bankruptcy, and federal investigators would soon begin pouring over the records and discover it was a scam. Hedgecock gathered his closest personal advisors at his recently-refurbished home on a hill overlooking the downtown. The immediate problem: Hedgecock had taken unreported money from Hoover to refurbish the home they were sitting in.

On that Sunday, Hedgecock and his friends hastily raised $80,000 to pay Hoover for the home remodeling.

The ensuing newspaper stories were

an embarrassment for Hedgecock — but not much more. He increasingly blamed the bad press and investigations on the Copley Newspapers, and it played well. He faced a primary election for a full term but had no serious opponents. He hoped to keep it that way.

Hedgecock held a press conference, where he showed reporters cancelled checks, and he lashed out at suggestions that he had done anything wrong. He got solid reviews, and only one halfway serious opponent in the primary — political novice and former TV anchorman Dick Carlson.

But the FPPC began examining Hedgecock's records. So, too, did DA Miller. On May 21, 1984, Miller filed a civil lawsuit against Hedgecock alleging numerous campaign violations.

However, the timing of the lawsuit played into Hedgecock's hands, coming only a few days before the June 5, 1984, mayoral primary. Hedgecock said the lawsuit showed the political motives of Miller, who had endorsed O'Connor in 1983. Hedgecock asked voters to judge him innocent until proven guilty. The gambit worked, although Hedgecock, with 47 percent of the vote, fell short of outright re-election in the primary.

Throughout the summer, Hedgecock behaved as a mayor, and as if nothing was wrong. He went to Los Angeles and untangled a glitch in the Olympic Torch relay route. When a madman went on a killing rampage at a San Diego McDonald's restaurant, Hedgecock went on national television and upstaged the police chief. Part of San Diego's acceptance of an indicted mayor stemmed from his mayoral behavior during that period, and San Diego voters are not, as a general rule, overly concerned with politics. Mayors are not that directly important in their everyday lives, and Hedgecock was good entertainment.

Hedgecock's mayoral summer ended on September 19, 1984, when the county grand jury returned multi-count indictments against Hedgecock, Dominelli, Shepard and Hoover. The grand jury accused Hedgecock of an intricate conspiracy to circumvent campaign laws by funneling illegal Dominelli campaign donations through Shepard's consulting firm. Further, Hedgecock was accused of perjury for failing to report a series of personal financial transactions, including the Hoover home remodeling fund and a mortgage note which Hedgecock sold to Hoover but on which he continued to collect the monthly payments.

Again Hedgecock cried foul, and again he asked voters to judge him innocent until proven guilty.

Hedgecock did more than talk, however. With bravado, he walked into a courtroom, waived all the preliminary legal steps that normally accompany a

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felony case, and insisted that his trial begin before Election Day in November. He got his wish and later won reelection in a landslide.

But Hedgecock nearly lost the first trial, coming within one juror's vote of conviction on all 13 felonies. The 11 jurors who voted for conviction said they thought Hedgecock was lying when he took the witness stand. San Diego politicians were soon predicting Hedgecock would quit. Few could see how he could stay mayor having come so close to disaster. However, all but a handful timidly refrained from calling for his resignation.

Hedgecock again embarked on a flurry of mayoral-looking activities. He went to Phoenix and Toronto for mayor meetings. He said he would make no plea bargains.

However, his seconds privately tried to cut a deal for Hedgecock in April 1985. The opening was created by an odd troika of San Diego businessmen: San Diego Padres president Ballard Smith, Democratic Party fund raiser Murray Galinson and financier Malin Burnham. The three engaged in shuttle diplomacy between Hedgecock and prosecutors before the negotiations became an open secret.

Hedgecock, at a Rotary Club breakfast, finally admitted he was interested in a deal "for the good of the city."

Would-be mayors started lining up. Private polls flourished.

But the deal fell through. Although theories abound for the reason why, ranging from an all-too-curious press to the stubborness of FPPC Chairman Dan Stanford (who was all too willing to accept the hardliner rap), the real reason was probably provided by Hedgecock himself. He simply could not accept a deal that meant conviction.

Hedgecock, through his ordeal, proved not only a remarkable resiliency as a politician but an inner resiliency that sustained himself and his family. Lesser men might have cut the best deal they could and slinked away from public life. But not Hedgecock. Even after his conviction, he would not slink away. He took a job as a radio talk-show host.

Hedgecock, to be sure, was not so much a wizard at strategy, but picked the only available options to him at any given time. However, he was master at saying the right thing at the right time, changing it later to suit the immediate crisis at hand.

During the nearly two years of investigations and trials, San Diego politics remained on hold. But with a city manager form of government, San Diego's pot-holes got filled and the Tijuana Trolley ran on time. If anything, the scandal may have shown that being mayor is nine-tenths politics and one-tenth running the government.

In that time San Diego politics was a story of a gang of politicians waiting to pick clean the carcass of a mayor who would not die. Hedgecock's chief of staff, Mike McDade, compared him to Godzilla: "(He) reminds me of a science fiction movie where the beast comes out of the depths, and they attack him with tanks, planes and flamethrowers and he just keeps on coming."

The hallmark of Hedgecock's career was of outlasting all comers, including those waiting to fill the vacancy he refused to create. Among the would-be-mayors who officially gave up were Republicans Stirling and then-City Councilman Dick Murphy.

Hedgecock went back into his second trial, this time with a new lawyer, Oscar Goodman, noted mostly for defending mobsters. This time Hedgecock chose not to testify. This time the jury voted to convict.

After a month-long, anti-climatic flurry of legal motions temporarily shelved by the state Supreme Court, Hedgecock's luck finally ran out. The high Court refused to consider his appeals prematurely.

With the way clear, Superior Court Judge William Todd, who had presided over the case from the start and never granted a delay, sentenced Hedgecock to one year in the custody of the county sheriff. He let Hedgecock remain free on bail pending appeal. But not without first giving him a tongue lashing.

"I am completely convinced of your guilt, Mr. Hedgecock," Todd told the man who minutes earlier had resigned as mayor. "Your conduct is reprehensible in every sense of the word because you violated the public trust completely, over and over again."

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Perspective from
WASHINGTON
By Leo Rennert

Four hours in Mexicali

On his way back to Washington from a five-day New Year's vacation in opulent Palm Springs, President Reagan stopped off in Mexicali for a quickie four-hour summit with Mexican President Miguel de la Madrid to discuss border problems and take the pulse of U.S.-Mexican relations. A dusty spot across the border from Calexico, Mexicali greets most visitors with ample evidence of social and economic plight. But Reagan didn't see any of that. He hopped over the tawdry parts by helicopter and landed in a red-carpet oasis — an architecturally imposing cluster of government buildings that stand in marked contrast to the wilting facades of the rest of the town. The president prefers upbeat ceremonial occasions and his aides have learned to shield him from the more depressing aspects of life.

EVEN SO, THE MEXICALI SUMMIT was more than a protocol visit. The 21-gun salutes and the colorful Mexican dance performances eventually gave way to serious business, however brief. To prepare for the meeting, Reagan brushed up on Mexico's enormous foreign-debt problem and developed suggestions for averting a financial collapse that could ripple across the border and shake the U.S. economy. While there was considerable disagreement on the reasons for Mexico's slide to the edge of the precipice, and on remedial measures, Reagan and de la Madrid did agree on one point: Their economies, particularly along the 2000-mile border, are too intertwined to permit Washington to play the role of unaffected spectator. Like it or not, the U.S. — as creditor, trading partner and neighbor — cannot shield itself from events in Mexico. Said Reagan: "In our relationship, clearly, we help ourselves by helping each other." De la Madrid was more blunt. In welcoming Reagan, he warned that California and other U.S. border states are "particularly vulnerable to the economic crisis" in Mexico.

As in many other parts of Latin America, that crisis stems from a bloated foreign debt, rampant inflation and sagging prices for basic export commodities. It's a downward spiral that undermines social and political stability by threatening living standards. In Mexico the poor are staying poor or getting poorer, while the middle class is being pulled down. In the meantime the rich are squirreling away pesos outside the country — a capital flight of some $50 billion, according to U.S. officials. The country is struggling with a $96 billion foreign debt, much of it held by private U.S. banks. Repayments are hampered by a decline in the world price of oil, Mexico's major export. Each time the price of oil drops by $1 a barrel, Mexico loses $500 million a year. Some experts warn that a further decline from the current $24 average to $20 would send Mexico over the edge. A default on Mexico's debt would do more than threaten the stability of U.S. financial institutions. It would send a new wave of illegal immigrants across the border, cripple trade and open the way for a radical upheaval in Mexican politics.

This was the gloomy scenario that formed the backdrop for the Mexicali summit. In the past Uncle Sam might have been tempted to play Santa Claus and deliver lots of dollars to steady the situation. But times have changed. Reagan is struggling with a budget crunch of his own and can't spare extra cash. Instead, the president rode to the rescue with a plan developed by Treasury Secretary James Baker to help ease the debt crisis of Third World countries like Mexico. The Baker plan involves a *quid-pro-quo*. In exchange for U.S. assistance in persuading private banks and international lending institutions like the World Bank to make more credit available, Mexico was asked to reduce public-sector spending, privatize some state-operated enterprises and develop a more attractive climate for foreign investment and trade. Reagan's basic message to de la Madrid was that Mexico's economy would flourish if it relied more on private enterprise or, to put it another way, on Reaganomics.

For his part, de la Madrid told his visitor that Mexico already has made many painful adjustments and gone a long way in luring private investors. He strongly argued that Mexico, with the best intentions, cannot do the job alone. The U.S. and other "have" nations must help by easing debt-repayment terms and dropping protectionist barriers against Third World imports. Most importantly, de la Madrid ruled out additional austerity at home. To repay creditors, he said, Mexico must put its economy on a clear expansion course that can be attained only if the U.S. economy performs better in 1986 than it did last year. "In order to pay, we need to grow," de la Madrid declared.

Despite different perspectives, Reagan and de la Madrid, who have established good personal rapport since starting these get-togethers in 1982, seemed intent on narrowing the gap. The U.S. will help put together a new refinancing package and de la Madrid will try to live with the Baker plan. The question is whether these exertions will be enough to avert a catastrophe or whether they will merely buy a bit more time.

BUT THERE'S SERIOUS PURPOSE on both sides. After bashing Reagan's Central American policy at past summits, de la Madrid muted his criticism this time to enable both leaders to focus on Mexico's economic problems. The attitude was the same on the U.S. side. Reagan would like to get more Mexican support for his tough stance against the leftist Sandinista regime in Nicaragua, but he did not allow this to interfere with U.S. willingness to help Mexico out of its financial crisis.

Before leaving Mexicali, Reagan urged de la Madrid to get tougher against Mexican drug traffickers, who have become a growing menace on both sides of the border. U.S. officials fear Mexico is following in the footsteps of Colombia where powerful drug kingpins operate like a state within a state. Both leaders mourned U.S. and Mexican drug-enforcement agents killed last year. Said Reagan: "There are tears on both sides of the border."

No major agreements were struck in Mexicali. The financial crisis continues; so does the drug problem. But two men earnestly discussed for a few hours what they could do to stem these disquieting trends. Then, they parted until the next summit — not at all certain of what the future will bring.

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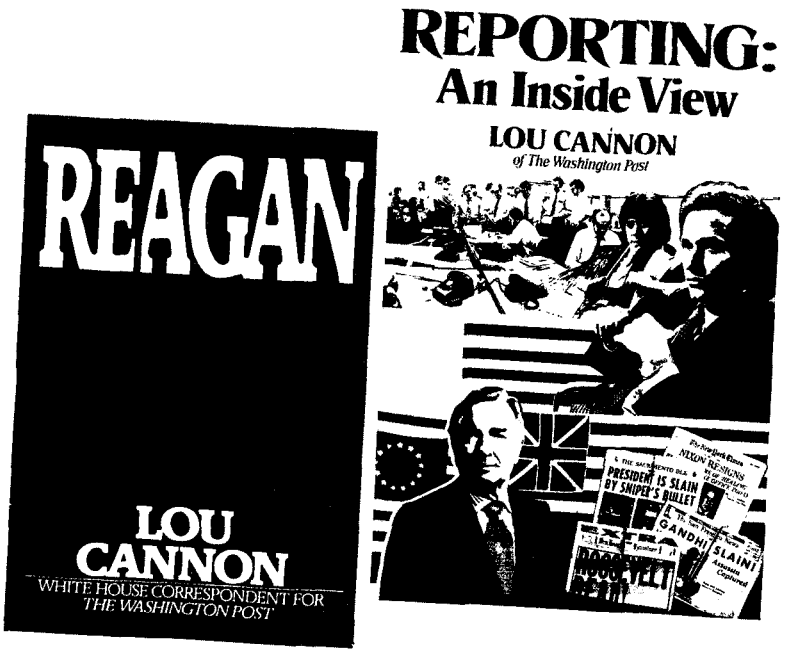

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